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| Edexcel Business GCSE  Theme 1  Summer 2025 Workbook  **Investigating Small Business** |
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| Henar Ampudia-Cocho | [Date] | [Course title] |

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# **GCSE Business – Topic 1.1: Enterprise and Entrepreneurship Worksheet**

### ****Case Study: GreenTech Solutions****

GreenTech Solutions is a start-up founded by Priya and James in Manchester. The business focuses on developing eco-friendly home appliances that reduce energy consumption. Priya, an engineer, designs the products, while James handles marketing and sales. They identified a gap in the market for sustainable, affordable home appliances, which led them to start the business.

To fund GreenTech Solutions, they used personal savings and secured a government grant aimed at promoting green businesses. Their first product, an energy-efficient kettle, has gained attention for its innovative design and lower carbon footprint. Priya and James hope to expand their product line to include eco-friendly toasters and microwaves.

They have set clear business aims: to promote sustainability and achieve profitability within two years. Their key objectives include selling 5,000 kettles in the first year and building partnerships with major retail chains.

**Section A – Multiple Choice Questions (1 mark each)**

1. What is an **entrepreneur**?
   * A) Someone who manages a large corporation
   * B) Someone who starts and runs a business
   * C) An employee in a business
   * D) A customer buying products
2. Which of the following is a **risk** of starting a business?
   * A) High profits
   * B) Business failure
   * C) Increased market share
   * D) Customer loyalty
3. What is a **reward** for an entrepreneur?
   * A) Personal satisfaction
   * B) Paying rent
   * C) Hiring employees
   * D) Increasing costs
4. Which of these is an example of **adding value**?
   * A) Selling a product at cost price
   * B) Offering excellent customer service
   * C) Reducing product features
   * D) Lowering product quality
5. What is the purpose of **market research**?
   * A) To reduce staff wages
   * B) To understand customer needs
   * C) To increase fixed costs
   * D) To buy raw materials

### ****Section B – Short Answer Questions****

#### **Explain Questions (3 marks each)**

1. **Explain** one reason why entrepreneurs take risks.

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1. **Explain** how market research can help a new business succeed.

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#### **Outline Questions (2 marks each)**

Refer to the GreenTech Solutions case study for the following questions:

1. **Outline** one source of finance used by GreenTech Solutions.

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1. **Outline** one way GreenTech Solutions adds value to its products.

**………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………**

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### ****Section C – Extended Response Questions****

#### **Discuss Question (6 marks)**

#### **Discuss** the potential risks and rewards of starting a new business.

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#### **Analyse Question (6 marks)**

Refer to the GreenTech Solutions case study:

**Analyse** how Priya and James’s business aims can help GreenTech Solutions succeed.

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#### **Justify Question (9 marks)**

Refer to the GreenTech Solutions case study:

Priya and James are deciding how to promote their new product:

* Option 1: Attend eco-friendly trade shows.
* Option 2: Invest in social media advertising.

**Justify** which of these two promotional strategies GreenTech Solutions should choose.

**……………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………**

#### **Evaluate Question (12 marks)**

Refer to the GreenTech Solutions case study:

**Evaluate** the advantages and disadvantages of using a government grant to fund GreenTech Solutions.

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### ****Section D – Calculation Questions (2 marks each)****

Refer to the GreenTech Solutions case study:

1. GreenTech sells each kettle for £40. They sold 600 kettles last month. Calculate their total revenue.
2. The fixed costs for GreenTech are £10,000 per month, and each kettle has a variable cost of £15. Calculate the break-even number of kettles.
3. GreenTech predicts cash inflows of £25,000 and cash outflows of £18,000 next month. Calculate the net cash flow.

**End of Worksheet**

**GCSE Business – Topic 1.2: Spotting a Business Opportunity Worksheet**

### ****Case Study: FreshBite Meal Kits****

FreshBite Meal Kits is a small business launched by Sam and Aisha in Birmingham. The company offers subscription-based meal kits featuring fresh, locally sourced ingredients and easy-to-follow recipes. Sam, a trained chef, designs the meal plans, while Aisha focuses on marketing and customer service.

They noticed a growing demand for convenient, healthy meal options, especially among busy professionals and families. After conducting market research, they identified a gap in the market for meal kits that cater to specific dietary needs, such as vegan and gluten-free options.

To fund the business, Sam and Aisha used personal savings and a small business loan. They aim to become the go-to provider for health-conscious consumers seeking convenient cooking solutions.

### ****Section A – Multiple Choice Questions (1 mark each)****

1. What is **market segmentation**?
   * A) Setting business goals
   * B) Dividing a market based on customer characteristics
   * C) Increasing production output
   * D) Reducing business costs
2. Which method is an example of **primary market research**?
   * A) Internet articles
   * B) Customer surveys
   * C) Government reports
   * D) Competitor websites
3. What is a **gap in the market**?
   * A) A type of market research
   * B) A missing product or service that customers want
   * C) A pricing strategy
   * D) A customer complaint
4. Which factor is most important when identifying **customer needs**?
   * A) Business profits
   * B) Customer preferences and habits
   * C) Supplier costs
   * D) Employee wages
5. What does **competitive advantage** mean?
   * A) Charging higher prices than competitors
   * B) Having a unique product or service that stands out
   * C) Lowering staff wages
   * D) Reducing advertising costs

### ****Section B – Short Answer Questions****

#### **Explain Questions (3 marks each)**

1. **Explain** one reason why businesses conduct market research.

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1. **Explain** how understanding customer needs can help a business succeed.

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#### **Outline Questions (2 marks each)**

Refer to the FreshBite Meal Kits case study for the following questions:

1. **Outline** one method of market research used by FreshBite Meal Kits.

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1. **Outline** one way FreshBite Meal Kits identified a gap in the market.

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### ****Section C – Extended Response Questions****

#### **Discuss Question (6 marks)**

**Discuss** the importance of understanding customer needs when launching a new product.

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#### **Analyse Question (6 marks)**

Refer to the FreshBite Meal Kits case study:

**Analyse** how Sam and Aisha’s market research helped them spot a business opportunity.

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#### **Justify Question (9 marks)**

Refer to the FreshBite Meal Kits case study:

Sam and Aisha are deciding how to identify new customer needs to expand their product range:

* Option 1: Conduct in-depth customer interviews.
* Option 2: Analyse competitors’ product offerings.

**Justify** which of these two strategies FreshBite Meal Kits should choose.

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#### **Evaluate Question (12 marks)**

Refer to the FreshBite Meal Kits case study:

**Evaluate** whether FreshBite Meal Kits should rely on market research to identify gaps in the market.

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### ****Section D – Calculation Questions (2 marks each)****

Refer to the FreshBite Meal Kits case study:

1. FreshBite sells each meal kit for £25. They sold 300 kits last month. Calculate their total revenue.
2. The fixed costs for FreshBite are £6,000 per month, and each meal kit has a variable cost of £10. Calculate the break-even number of meal kits.
3. FreshBite predicts cash inflows of £12,000 and cash outflows of £8,500 next month. Calculate the net cash flow.

**End of Worksheet**

**GCSE Business – Topic 1.3: Putting a Business Idea into Practice Worksheet**

### ****Case Study: Sweet Treats Bakery****

Sweet Treats Bakery is a small business launched by best friends Olivia and Ben in Nottingham. They identified a growing demand for artisanal, locally-sourced baked goods. Olivia, a professional baker, focuses on product development, while Ben manages the finances and operations.

To fund the business, they used personal savings and secured a small business loan of £15,000. They set clear business aims and objectives, focusing on achieving profitability within the first year and building a loyal customer base. Sweet Treats offers a range of cakes, pastries, and bread, targeting local residents and nearby office workers.

Olivia and Ben carefully calculated their pricing strategy to ensure they cover costs while remaining competitive. They also created a simple cash flow forecast to manage finances and anticipate periods of low sales.

### ****Section A – Multiple Choice Questions (1 mark each)****

1. What is a **business aim**?
   * A) A long-term goal a business wants to achieve
   * B) A specific short-term target
   * C) A method of market research
   * D) A pricing strategy
2. Which of the following is an example of a **business objective**?
   * A) Increase brand awareness
   * B) Achieve £50,000 in sales within the first year
   * C) Offer the lowest prices in the market
   * D) Conduct market research
3. What is **break-even**?
   * A) When a business makes its highest profit
   * B) When total revenue equals total costs
   * C) When a business has no competition
   * D) When fixed costs are lower than variable costs
4. Which of the following is an example of a **source of finance**?
   * A) Cash flow forecast
   * B) Business loan
   * C) Business plan
   * D) Break-even chart
5. What is the purpose of a **cash flow forecast**?
   * A) To calculate break-even
   * B) To predict inflows and outflows of cash
   * C) To determine total revenue
   * D) To reduce fixed costs

### ****Section B – Short Answer Questions****

#### **Explain Questions (3 marks each)**

1. **Explain** one reason why businesses set aims and objectives.

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1. **Explain** how pricing strategies can impact a business’s success.

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#### **Outline Questions (2 marks each)**

Refer to the Sweet Treats Bakery case study for the following questions:

1. **Outline** one source of finance Olivia and Ben used to fund their business.

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1. **Outline** one way Sweet Treats Bakery adds value to its products.

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### ****Section C – Extended Response Questions****

#### **Discuss Question (6 marks)**

**Discuss** the factors a business should consider when choosing a pricing strategy.

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#### **Analyse Question (6 marks)**

Refer to the Sweet Treats Bakery case study:

**Analyse** the impact of setting clear aims and objectives on the success of Sweet Treats Bakery.

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#### **Justify Question (9 marks)**

Refer to the Sweet Treats Bakery case study:

Olivia and Ben are considering two promotional strategies to increase sales:

* Option 1: Offer a “Buy One Get One Free” deal on pastries.
* Option 2: Invest in local newspaper advertising.

**Justify** which one of these two options Sweet Treats Bakery should choose.

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#### **Evaluate Question (12 marks)**

Refer to the Sweet Treats Bakery case study:

**Evaluate** the advantages and disadvantages of using a small business loan to fund Sweet Treats Bakery.

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### ****Section D – Calculation Questions (2 marks each)****

Refer to the Sweet Treats Bakery case study:

1. Sweet Treats sells each cake for £15. Last month, they sold 200 cakes. Calculate their total revenue.
2. The fixed costs for Sweet Treats are £5,000 per month, and each cake has a variable cost of £5. Calculate the break-even number of cakes.
3. Sweet Treats predicts cash inflows of £8,000 and cash outflows of £6,500 next month. Calculate the net cash flow.

**End of Worksheet**

**GCSE Business – Topic 1.4: Making the Business Effective Worksheet**

### ****Case Study: Urban Brew Coffee****

Urban Brew Coffee is an independent coffee shop opened by Alex and Priya in Manchester city centre. They focus on high-quality, ethically sourced coffee and provide a relaxed space for customers to work and socialize. To stand out in a competitive market, they offer a loyalty card scheme and promote their business heavily on social media.

Alex and Priya carefully chose a location with high foot traffic and ensured their shop had a modern and inviting interior. They set up the business as a partnership, allowing them to share responsibilities and decision-making.

To attract customers, they focus on excellent customer service, a varied product range, and competitive pricing. They also offer free Wi-Fi and host community events to encourage repeat business.

### ****Section A – Multiple Choice Questions (1 mark each)****

1. What is the **purpose of a business plan**?
   * A) To hire employees
   * B) To outline business objectives and strategies
   * C) To increase supplier costs
   * D) To reduce taxes
2. Which of the following is an **advantage of a partnership**?
   * A) Sole control over decisions
   * B) Shared responsibility and workload
   * C) Unlimited liability only for one owner
   * D) Higher tax rates
3. What is a key factor when choosing a **business location**?
   * A) Availability of free Wi-Fi
   * B) Customer footfall and accessibility
   * C) Office decorations
   * D) Number of employees
4. Which is an example of **promotion** in the marketing mix?
   * A) Offering a loyalty card scheme
   * B) Choosing a shop location
   * C) Setting prices below competitors
   * D) Expanding product range
5. What is an **advantage of a sole trader**?
   * A) Easy to set up and simple to run
   * B) Shared decision-making
   * C) Limited liability
   * D) More complex tax system

### ****Section B – Short Answer Questions****

#### **Explain Questions (3 marks each)**

1. **Explain** one reason why businesses create a business plan.

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1. **Explain** how the choice of location can impact a business’s success.

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#### **Outline Questions (2 marks each)**

Refer to the Urban Brew Coffee case study for the following questions:

1. **Outline** one promotional method used by Urban Brew Coffee.

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1. **Outline** one benefit of running Urban Brew Coffee as a partnership.

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### ****Section C – Extended Response Questions****

#### **Discuss Question (6 marks)**

**Discuss** the impacts of using social media as a promotional tool for a small business.

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#### **Analyse Question (6 marks)**

Refer to the Urban Brew Coffee case study:

**Analyse** how Urban Brew Coffee’s choice of location has contributed to its success.

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#### **Justify Question (9 marks)**

Refer to the Urban Brew Coffee case study:

Alex and Priya are deciding how to improve their marketing strategy to attract more customers:

* Option 1: Increase spending on social media advertising.
* Option 2: Introduce a new loyalty rewards program.

**Justify** which of these two strategies Urban Brew Coffee should choose.

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#### **Evaluate Question (12 marks)**

Refer to the Urban Brew Coffee case study:

**Evaluate** whether operating as a partnership is the best ownership structure for Urban Brew Coffee.

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### ****Section D – Calculation Questions (2 marks each)****

Refer to the Urban Brew Coffee case study:

1. Urban Brew sells each coffee for £3.50. Last month, they sold 1,200 coffees. Calculate their total revenue.
2. The fixed costs for Urban Brew are £4,000 per month, and each coffee has a variable cost of £1. Calculate the break-even number of coffees.
3. Urban Brew predicts cash inflows of £10,500 and cash outflows of £7,200 next month. Calculate the net cash flow.
4. Urban Brew took out a £10,000 loan with an interest rate of 5%. Calculate the total interest they will pay over one year.
5. Urban Brew imported coffee beans worth $2,000 when the exchange rate was £1 = $1.25. Calculate the cost in GBP.
6. Last month, Urban Brew’s revenue was £8,000, and this month it increased to £10,000. Calculate the percentage increase in revenue.

**End of Worksheet**

**GCSE Business – Topic 1.5: Understanding External Influences on Business Worksheet**

### ****Case Study: EcoTech Gadgets****

EcoTech Gadgets is a small business based in London, specializing in eco-friendly technology products like solar-powered chargers and biodegradable phone cases. Founded by Sarah and Tom, the company focuses on sustainability and innovation. EcoTech has built a loyal customer base through ethical sourcing and transparent business practices.

Recently, EcoTech has faced rising production costs due to inflation and increased import tariffs on some of their materials. The business has also had to adapt to new environmental regulations requiring stricter recycling processes. Despite these challenges, EcoTech continues to thrive, helped by growing consumer demand for sustainable products.

To expand, Sarah and Tom are considering entering international markets but are concerned about fluctuating exchange rates and potential legal barriers.

### ****Section A – Multiple Choice Questions (1 mark each)****

1. What is an example of an **external influence** on a business?
   * A) The business’s marketing strategy
   * B) Government regulations
   * C) Employee performance
   * D) Customer service policies
2. What is the impact of **inflation** on businesses?
   * A) Decreases production costs
   * B) Increases the price of raw materials
   * C) Reduces employee wages
   * D) Increases customer loyalty
3. What does **exchange rate fluctuation** affect the most for businesses?
   * A) Domestic sales
   * B) Import and export costs
   * C) Staff training programs
   * D) Office rent
4. Which is an example of a **legal factor** affecting business operations?
   * A) A new competitor entering the market
   * B) Changes in employment laws
   * C) Consumer trends
   * D) Seasonal demand fluctuations
5. What is an effect of **ethical considerations** on business?
   * A) Increased negative publicity
   * B) Reduced customer trust
   * C) Improved brand reputation
   * D) Higher employee turnover

### ****Section B – Short Answer Questions****

#### **Explain Questions (3 marks each)**

1. **Explain** one way inflation can impact a small business.

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1. **Explain** how ethical considerations can influence customer buying decisions.

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#### **Outline Questions (2 marks each)**

Refer to the EcoTech Gadgets case study for the following questions:

1. **Outline** one external factor currently affecting EcoTech Gadgets.

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1. **Outline** one benefit of EcoTech’s focus on sustainability.

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### ****Section C – Extended Response Questions****

#### **Discuss Question (6 marks)**

**Discuss** the impact of legal regulations on small businesses.

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#### **Analyse Question (6 marks)**

Refer to the EcoTech Gadgets case study:

**Analyse** how changes in consumer preferences have benefited EcoTech Gadgets.

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#### **Justify Question (9 marks)**

Refer to the EcoTech Gadgets case study:

Sarah and Tom are deciding how to expand their market:

* Option 1: Enter an international market despite exchange rate risks.
* Option 2: Launch a new eco-friendly product line locally.

**Justify** which of these two strategies EcoTech Gadgets should choose.

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#### **Evaluate Question (12 marks)**

Refer to the EcoTech Gadgets case study:

**Evaluate** whether focusing on ethical sourcing is the most effective way for EcoTech Gadgets to maintain its competitive advantage.

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### ****Section D – Calculation Questions (2 marks each)****

Refer to the EcoTech Gadgets case study:

1. EcoTech imports materials worth $5,000. The exchange rate changes from £1 = $1.30 to £1 = $1.20. Calculate the change in the cost of imports in GBP.
2. EcoTech’s production costs increased from £20,000 to £22,500 due to inflation. Calculate the percentage increase in production costs.
3. EcoTech borrowed £15,000 with an interest rate of 4%. Calculate the total interest paid over one year.

**End of Worksheet**

# **GCSE Business – Topic 1.1: Enterprise and Entrepreneurship Worksheet – Model Answers**

### ****Section A – Multiple Choice Questions (1 mark each)****

1. **B)** Someone who starts and runs a business.  
   An entrepreneur is an individual who identifies a business opportunity, takes risks, and starts a business to make a profit.
2. **B)** Business failure.  
   A risk of starting a business is the possibility of failure, which could result in financial losses and wasted time.
3. **A)** Personal satisfaction.  
   A reward for an entrepreneur can include personal satisfaction from running a successful business and achieving goals.
4. **B)** Offering excellent customer service.  
   Adding value involves improving a product or service to make it more appealing, such as through great customer service.
5. **B)** To understand customer needs.  
   Market research helps businesses gather information about customer preferences, allowing them to tailor products effectively.

### ****Section B – Short Answer Questions****

#### **Explain Questions (3 marks each)**

1. **Explain** one reason why entrepreneurs take risks.
   * Entrepreneurs take risks to gain **financial rewards** (1). Starting a successful business can lead to high profits (1), which provides personal satisfaction and financial independence (1).
2. **Explain** how market research can help a new business succeed.
   * Market research helps businesses **understand customer needs** (1). By identifying what customers want, businesses can tailor their products (1), increasing the chances of success and customer satisfaction (1).

#### **Outline Questions (2 marks each)**

Refer to the GreenTech Solutions case study for the following questions:

1. **Outline** one source of finance used by GreenTech Solutions.
   * GreenTech Solutions used a **government grant** (1), which provided funding without the need for repayment (1).
2. **Outline** one way GreenTech Solutions adds value to its products.
   * GreenTech adds value by creating **eco-friendly appliances** (1), which appeal to environmentally conscious consumers (1).

### ****Section C – Extended Response Questions****

#### **Discuss Question (6 marks)**

**Discuss** the potential risks and rewards of starting a new business.

* One major **reward** of starting a new business is the potential for **financial independence**. Entrepreneurs have the opportunity to earn profits directly from their efforts, which can lead to substantial income if the business is successful. Additionally, starting a business allows individuals to pursue their **passions and interests**, leading to higher job satisfaction. There is also the benefit of **autonomy**, as entrepreneurs can make decisions independently, shaping the direction of the business according to their vision.
* However, starting a business comes with significant **risks**. A common risk is **financial loss**, where entrepreneurs may lose their initial investment if the business fails. There is also the risk of **income instability**, especially in the early stages when customer bases are still growing. Finally, entrepreneurs often face **high levels of stress and pressure** due to the responsibilities of managing operations, finances, and employees.

#### **Analyse Question (6 marks)**

Refer to the GreenTech Solutions case study:

**Analyse** how Priya and James’s business aims can help GreenTech Solutions succeed.

* Setting clear business aims gives GreenTech Solutions a **sense of direction**, helping Priya and James focus on key goals like promoting sustainability and achieving profitability. This focus ensures that their efforts align with long-term objectives.
* Clear aims also help in **measuring progress**. By setting targets, such as selling 5,000 kettles in the first year, they can track performance and adjust strategies if necessary. Additionally, having defined aims can **motivate the team**, ensuring everyone works towards the same goals.

#### **Justify Question (9 marks)**

Refer to the GreenTech Solutions case study:

Priya and James are deciding how to promote their new product:

* Option 1: Attend eco-friendly trade shows.
* Option 2: Invest in social media advertising.

**Justify** which of these two promotional strategies GreenTech Solutions should choose.

* **Paragraph 1 (Chosen Option – Social Media Advertising)**
  + GreenTech should choose **social media advertising** because it allows them to reach a wider audience quickly (1). Platforms like Instagram and Facebook can target environmentally conscious consumers (1), leading to increased brand awareness and potential sales (1).
* **Paragraph 2 (Drawback of Chosen Option – Social Media Advertising)**
  + However, social media advertising has drawbacks for GreenTech. Creating high-quality content that highlights the eco-friendly features of their kettles may require additional time and resources (1). There’s also a risk that their message may not resonate with the target audience if the ads aren’t engaging, leading to **low engagement** and wasted marketing budget (1).
* **Paragraph 3 (AJIM Conclusion)**
  + **Answer:** Social media advertising is the better option.
  + **Justify:** It offers a broader reach and allows GreenTech to directly engage with eco-conscious consumers.
  + **It Depends:** Success depends on how well the ads showcase the unique selling points of their energy-efficient kettles.
  + **Most Important:** Social media provides a cost-effective way for GreenTech to build brand awareness, which is essential for promoting their sustainability-focused products.

#### **Evaluate Question (12 marks)**

Refer to the GreenTech Solutions case study:

**Evaluate** the advantages and disadvantages of using a government grant to fund GreenTech Solutions.

* **Paragraph 1 (Advantages)**
  + A **government grant** provides funding without the need for repayment (1), reducing financial pressure on GreenTech. It also allows the business to invest in product development (1) while maintaining full ownership and control (1).
* **Paragraph 2 (Disadvantages)**
  + However, government grants can limit GreenTech’s flexibility. The grant may come with conditions that restrict how the funds can be used, potentially slowing down their product development plans (1). Additionally, the application process for grants can be lengthy and time-consuming, which might delay the launch of new products like their eco-friendly toasters and microwaves (1).
* **Paragraph 3 (AJIM Conclusion)**
  + **Answer:** Using a government grant was a beneficial choice.
  + **Justify:** It provided essential funding without repayment obligations, helping GreenTech launch its energy-efficient kettles.
  + **It Depends:** Success depends on whether the grant covers all necessary costs, including future product expansions.
  + **Most Important:** The grant reduced financial risk, enabling GreenTech to focus on innovation and sustainability, which are central to their brand.

### ****Section D – Calculation Questions (2 marks each)****

Refer to the GreenTech Solutions case study:

1. GreenTech sells each kettle for £40. They sold 600 kettles last month. Calculate their total revenue.
   * **Total Revenue = Selling Price × Quantity Sold**
   * £40 × 600 = **£24,000**
2. The fixed costs for GreenTech are £10,000 per month, and each kettle has a variable cost of £15. Calculate the break-even number of kettles.
   * **Break-even Point = Fixed Costs ÷ (Selling Price – Variable Cost)**
   * £10,000 ÷ (£40 – £15) = £10,000 ÷ £25 = **400 kettles**
3. GreenTech predicts cash inflows of £25,000 and cash outflows of £18,000 next month. Calculate the net cash flow.
   * **Net Cash Flow = Cash Inflows – Cash Outflows**
   * £25,000 – £18,000 = **£7,000**

**End of Model Answers Worksheet**

# **GCSE Business – Topic 1.2: Spotting a Business Opportunity Worksheet – Model Answers**

### ****Section A – Multiple Choice Questions (1 mark each)****

1. **B)** Dividing a market based on customer characteristics.  
   Market segmentation involves splitting a market into distinct groups of customers with similar needs or characteristics.
2. **B)** Customer surveys.  
   Primary market research involves collecting new data directly from customers, such as through surveys or interviews.
3. **B)** A missing product or service that customers want.  
   A gap in the market is an unmet customer need that presents an opportunity for a new product or service.
4. **B)** Customer preferences and habits.  
   Understanding customer needs involves identifying preferences, habits, and expectations to tailor products and services accordingly.
5. **B)** Having a unique product or service that stands out.  
   Competitive advantage is what makes a business’s product or service superior to competitors, helping attract customers.

### ****Section B – Short Answer Questions****

#### **Explain Questions (3 marks each)**

1. **Explain** one reason why businesses conduct market research.
   * Businesses conduct market research to **understand customer needs** (1). This helps them create products that match customer preferences (1), increasing the chances of business success (1).
2. **Explain** how understanding customer needs can help a business succeed.
   * Understanding customer needs allows businesses to **tailor their products and services** (1), which can improve customer satisfaction (1) and lead to repeat purchases and loyalty (1).

#### **Outline Questions (2 marks each)**

Refer to the FreshBite Meal Kits case study for the following questions:

1. **Outline** one method of market research used by FreshBite Meal Kits.
   * FreshBite used **customer surveys** (1) to gather information about dietary preferences and meal kit expectations (1).
2. **Outline** one way FreshBite Meal Kits identified a gap in the market.
   * They identified a gap by noticing the lack of **meal kits catering to specific dietary needs** (1), such as vegan and gluten-free options (1).

### ****Section C – Extended Response Questions****

#### **Discuss Question (6 marks)**

**Discuss** the importance of understanding customer needs when launching a new product.

* Understanding customer needs is crucial because it helps businesses design products that **appeal directly to their target audience**. This increases the chances of customer satisfaction, leading to higher sales. For example, a business that identifies a demand for vegan products can create offerings that cater to that market segment.
* Additionally, understanding customer needs helps businesses **stay competitive**. By offering products that meet specific demands, businesses can differentiate themselves from competitors. This can lead to stronger customer loyalty and better brand reputation.

#### **Analyse Question (6 marks)**

Refer to the FreshBite Meal Kits case study:

**Analyse** how Sam and Aisha’s market research helped them spot a business opportunity.

* Market research helped Sam and Aisha identify a **gap in the market** for meal kits that catered to specific dietary needs. By conducting customer surveys, they discovered a demand for vegan and gluten-free options, which allowed them to tailor their product offerings.
* Additionally, the research provided insights into **customer preferences**, such as convenience and health-conscious choices. This helped FreshBite develop meal kits that aligned with these needs, increasing their chances of business success.

#### **Justify Question (9 marks)**

Refer to the FreshBite Meal Kits case study:

Sam and Aisha are deciding how to identify new customer needs to expand their product range:

* Option 1: Conduct in-depth customer interviews.
* Option 2: Analyse competitors’ product offerings.

**Justify** which of these two strategies FreshBite Meal Kits should choose.

* **Paragraph 1 (Chosen Option – Customer Interviews)**
  + FreshBite should choose **in-depth customer interviews** because they provide **first-hand insights** directly from the target audience (1). This method allows Sam and Aisha to understand specific customer preferences (1), helping them tailor new meal kits that meet emerging needs (1).
* **Paragraph 2 (Drawback of Chosen Option – Customer Interviews)**
  + However, conducting interviews can be **time-consuming and costly** (1). It may also result in a limited sample size, which might not represent the entire market (1), leading to biased results.
* **Paragraph 3 (AJIM Conclusion)**
  + **Answer:** Customer interviews are the better option.
  + **Justify:** They provide direct and detailed insights into customer preferences.
  + **It Depends:** Success depends on whether the interviews are well-structured and reach a diverse group of customers.
  + **Most Important:** Gaining in-depth customer feedback helps FreshBite create products that truly meet customer needs.

#### **Evaluate Question (12 marks)**

Refer to the FreshBite Meal Kits case study:

**Evaluate** whether FreshBite Meal Kits should rely on market research to identify gaps in the market.

* **Paragraph 1 (Advantages)**
  + Market research allows FreshBite to **understand customer preferences** (1), helping them create meal kits that align with market demand (1). It also reduces the risk of launching unsuccessful products by providing data-driven insights (1).
* **Paragraph 2 (Disadvantages)**
  + However, relying heavily on market research can be **expensive and time-consuming** (1). There’s also the risk of receiving inaccurate or outdated information (1), which could lead to poor decision-making (1).
* **Paragraph 3 (AJIM Conclusion)**
  + **Answer:** FreshBite should rely on market research.
  + **Justify:** It helps them identify clear gaps in the market, reducing business risks.
  + **It Depends:** The success depends on the quality and accuracy of the research conducted.
  + **Most Important:** Reliable market research ensures that new products meet real customer needs, improving the chances of success.

### ****Section D – Calculation Questions (2 marks each)****

Refer to the FreshBite Meal Kits case study:

1. FreshBite sells each meal kit for £25. They sold 300 kits last month. Calculate their total revenue.
   * **Total Revenue = Selling Price × Quantity Sold**
   * £25 × 300 = **£7,500**
2. The fixed costs for FreshBite are £6,000 per month, and each meal kit has a variable cost of £10. Calculate the break-even number of meal kits.
   * **Break-even Point = Fixed Costs ÷ (Selling Price – Variable Cost)**
   * £6,000 ÷ (£25 – £10) = £6,000 ÷ £15 = **400 meal kits**
3. FreshBite predicts cash inflows of £12,000 and cash outflows of £8,500 next month. Calculate the net cash flow.
   * **Net Cash Flow = Cash Inflows – Cash Outflows**
   * £12,000 – £8,500 = **£3,500**

**End of Model Answers Worksheet**

# **GCSE Business – Topic 1.3: Putting a Business Idea into Practice Worksheet – Model Answers**

### ****Section A – Multiple Choice Questions (1 mark each)****

1. **A)** A long-term goal a business wants to achieve.  
   A business aim outlines the broader, long-term aspirations of a company, such as increasing market share or becoming profitable.
2. **B)** Achieve £50,000 in sales within the first year.  
   A business objective is a specific, measurable target set to help achieve broader business aims.
3. **B)** When total revenue equals total costs.  
   The break-even point occurs when a business’s income covers all its costs, resulting in neither profit nor loss.
4. **B)** Business loan.  
   A business loan is an external source of finance where funds are borrowed from a bank or lender and repaid with interest.
5. **B)** To predict inflows and outflows of cash.  
   A cash flow forecast helps businesses plan for future financial needs by estimating incoming and outgoing cash.

### ****Section B – Short Answer Questions****

#### **Explain Questions (3 marks each)**

1. **Explain** one reason why businesses set aims and objectives.
   * Businesses set **aims and objectives** to provide direction and focus (1). Clear goals help employees understand what the business is working towards (1), and they allow performance to be measured against specific targets (1).
2. **Explain** how pricing strategies can impact a business’s success.
   * A pricing strategy affects how customers perceive value (1). Competitive pricing can attract more customers (1), while premium pricing can position products as high quality, potentially increasing profit margins (1).

#### **Outline Questions (2 marks each)**

Refer to the Sweet Treats Bakery case study for the following questions:

1. **Outline** one source of finance Olivia and Ben used to fund their business.
   * Olivia and Ben used a **small business loan** (1), which provided them with £15,000 to cover start-up costs (1).
2. **Outline** one way Sweet Treats Bakery adds value to its products.
   * Sweet Treats adds value by using **locally-sourced ingredients** (1), which appeals to customers seeking fresh and artisanal baked goods (1).

### ****Section C – Extended Response Questions****

#### **Discuss Question (6 marks)**

**Discuss** the factors a business should consider when choosing a pricing strategy.

* One important factor a business should consider is **costs**. A pricing strategy must ensure that the selling price covers both fixed and variable costs to avoid losses. Without covering costs, a business risks operating at a loss, which could threaten its survival.
* Another key factor is **competitor pricing**. Businesses need to research how similar products are priced in the market to stay competitive. Pricing higher than competitors might only work if the product offers superior quality or unique features. On the other hand, pricing too low could lead to price wars, which may hurt profitability.

#### **Analyse Question (6 marks)**

Refer to the Sweet Treats Bakery case study:

**Analyse** the impact of setting clear aims and objectives on the success of Sweet Treats Bakery.

* Setting clear aims and objectives gives Sweet Treats Bakery a **sense of direction**, helping Olivia and Ben stay focused on key goals like achieving profitability within the first year. This allows them to allocate resources effectively and prioritize important tasks. Clear objectives also enable the business to **measure progress**, making it easier to assess whether targets are being met and adjust strategies if necessary.
* Another impact is the **motivation and alignment** it provides to employees. With clear objectives, everyone in the business understands their role and how it contributes to broader goals, fostering teamwork and accountability. Additionally, clear aims help in **decision-making**; for example, if Sweet Treats aims to build a loyal customer base, they might focus on quality and customer service rather than cutting costs.

#### **Justify Question (9 marks)**

Refer to the Sweet Treats Bakery case study:

Olivia and Ben are considering two promotional strategies to increase sales:

* Option 1: Offer a “Buy One Get One Free” deal on pastries.
* Option 2: Invest in local newspaper advertising.

**Justify** which one of these two options Sweet Treats Bakery should choose.

* **Paragraph 1 (Chosen Option – BOGO Deal)**
  + Olivia and Ben should choose the **“Buy One Get One Free” (BOGO)** deal because it directly encourages more sales (1). Customers are more likely to buy if they feel they’re getting extra value (1), which can help boost short-term revenue and attract new customers (1).
* **Paragraph 2 (Drawback of Chosen Option – BOGO Deal)**
  + However, the BOGO deal has drawbacks. Offering free products reduces profit margins (1), which could negatively impact overall revenue if not carefully managed. Additionally, some customers may only purchase during promotions, leading to inconsistent sales (1). There’s also a risk that customers may begin to expect frequent discounts, making it harder to sell products at full price in the future (1).
* **Paragraph 3 (AJIM Conclusion)**
  + **Answer:** The BOGO deal is the better option.
  + **Justify:** It offers immediate incentives to customers, leading to quicker sales.
  + **It Depends:** Success depends on whether the increased sales offset the cost of giving away free products.
  + **Most Important:** The BOGO deal has a more direct and measurable impact on sales compared to traditional advertising.

#### **Evaluate Question (12 marks)**

Refer to the Sweet Treats Bakery case study:

**Evaluate** the advantages and disadvantages of using a small business loan to fund Sweet Treats Bakery.

* **Paragraph 1 (Advantages)**
  + A **small business loan** provided Olivia and Ben with immediate access to funds (1), allowing them to cover start-up costs without needing external investors (1). This meant they retained full control over the business (1) while still being able to invest in equipment and stock.
* **Paragraph 2 (Disadvantages)**
  + However, loans come with **repayment obligations and interest** (1), which can strain cash flow, especially in the early stages (1). If Sweet Treats struggles with sales, meeting loan repayments could create financial pressure (1).
* **Paragraph 3 (AJIM Conclusion)**
  + **Answer:** The loan was a suitable choice but carries risks.
  + **Justify:** It provided necessary funds, but the repayment terms add pressure.
  + **It Depends:** Success depends on whether the bakery achieves its sales targets to comfortably manage repayments.
  + **Most Important:** Access to immediate funding outweighed the risks, but careful cash flow management is essential to ensure long-term success.

### ****Section D – Calculation Questions (2 marks each)****

Refer to the Sweet Treats Bakery case study:

1. Sweet Treats sells each cake for £15. Last month, they sold 200 cakes. Calculate their total revenue.
   * **Total Revenue = Selling Price × Quantity Sold**
   * £15 × 200 = **£3,000**
2. The fixed costs for Sweet Treats are £5,000 per month, and each cake has a variable cost of £5. Calculate the break-even number of cakes.
   * **Break-even Point = Fixed Costs ÷ (Selling Price – Variable Cost)**
   * £5,000 ÷ (£15 – £5) = £5,000 ÷ £10 = **500 cakes**
3. Sweet Treats predicts cash inflows of £8,000 and cash outflows of £6,500 next month. Calculate the net cash flow.
   * **Net Cash Flow = Cash Inflows – Cash Outflows**
   * £8,000 – £6,500 = **£1,500**

**End of Model Answers Worksheet**

# **GCSE Business – Topic 1.4: Making the Business Effective Worksheet – Model Answers**

### ****Section A – Multiple Choice Questions (1 mark each)****

1. **B)** To outline business objectives and strategies.  
   A business plan sets out a company’s goals and outlines strategies for achieving them.
2. **B)** Shared responsibility and workload.  
   Partnerships allow owners to share tasks and decision-making, reducing individual workload.
3. **B)** Customer footfall and accessibility.  
   A good location with high foot traffic can increase customer visits and sales.
4. **A)** Offering a loyalty card scheme.  
   A loyalty card is a promotional tool that encourages repeat business.
5. **A)** Easy to set up and simple to run.  
   Sole traders benefit from a simple setup process and full control over decisions.

### ****Section B – Short Answer Questions****

#### **Explain Questions (3 marks each)**

1. **Explain** one reason why businesses create a business plan.
   * Businesses create a **business plan** to set clear objectives (1), which guide decisions and strategies (1), helping the business stay focused and organised (1).
2. **Explain** how the choice of location can impact a business’s success.
   * A business’s location affects **customer accessibility** (1). A spot with high foot traffic increases customer visits (1), leading to higher sales and profitability (1).

#### **Outline Questions (2 marks each)**

Refer to the Urban Brew Coffee case study for the following questions:

1. **Outline** one promotional method used by Urban Brew Coffee.
   * Urban Brew uses a **loyalty card scheme** (1) to encourage repeat purchases from regular customers (1).
2. **Outline** one benefit of running Urban Brew Coffee as a partnership.
   * As a partnership, Alex and Priya can **share responsibilities** (1), which reduces workload and allows them to focus on their strengths (1).

### ****Section C – Extended Response Questions****

#### **Discuss Question (6 marks)**

**Discuss** the impacts of using social media as a promotional tool for a small business.

* Social media allows small businesses to **reach a wide audience quickly and cheaply**. Platforms like Instagram and Facebook help businesses like Urban Brew Coffee showcase their products and promote events, increasing customer engagement. Additionally, social media enables direct communication with customers, helping to build brand loyalty.
* However, using social media can be **time-consuming**. Regularly posting content and managing customer interactions require consistent effort. There is also the risk of **negative feedback** spreading quickly online, which could harm the business’s reputation.

#### **Analyse Question (6 marks)**

Refer to the Urban Brew Coffee case study:

**Analyse** how Urban Brew Coffee’s choice of location has contributed to its success.

* Urban Brew Coffee’s location in Manchester city centre provides **high foot traffic**, increasing the chances of walk-in customers. Being in a busy area helps attract office workers, students, and shoppers.
* The **accessibility** of the location makes it convenient for customers, encouraging repeat business. The modern and inviting interior further enhances the customer experience, contributing to customer satisfaction and loyalty.

#### **Justify Question (9 marks)**

Refer to the Urban Brew Coffee case study:

Alex and Priya are deciding how to improve their marketing strategy to attract more customers:

* Option 1: Increase spending on social media advertising.
* Option 2: Introduce a new loyalty rewards program.

**Justify** which of these two strategies Urban Brew Coffee should choose.

* **Paragraph 1 (Chosen Option – Loyalty Rewards Program)**
  + Urban Brew should choose the **loyalty rewards program** because it encourages repeat business (1). Rewarding regular customers can build stronger customer relationships (1), leading to increased sales over time (1).
* **Paragraph 2 (Drawback of Chosen Option – Loyalty Rewards Program)**
  + However, offering rewards may reduce **profit margins** (1) if discounts or free items cut into revenue. For example, Urban Brew’s free coffee offer after ten purchases could reduce overall profitability if too many customers redeem rewards without increasing their overall spending (1).
* **Paragraph 3 (AJIM Conclusion)**
  + **Answer:** The loyalty rewards program is the better option.
  + **Justify:** It promotes customer retention and repeat purchases.
  + **It Depends:** Success depends on how attractive the rewards are to customers.
  + **Most Important:** Building customer loyalty provides long-term benefits over short-term sales boosts from advertising.

#### **Evaluate Question (12 marks)**

Refer to the Urban Brew Coffee case study:

**Evaluate** whether operating as a partnership is the best ownership structure for Urban Brew Coffee.

* **Paragraph 1 (Advantages)**
  + A partnership allows Alex and Priya to **share responsibilities** (1), reducing individual workload. It also brings together their different skills—Alex focuses on operations while Priya handles marketing (1). Partnerships can also provide more **capital and ideas** than a sole trader setup (1).
* **Paragraph 2 (Disadvantages)**
  + However, partnerships come with **unlimited liability** (1), meaning both owners are personally responsible for debts. For instance, if Urban Brew were to struggle financially, Alex and Priya could risk their personal assets to cover business debts (1). Additionally, disagreements over decisions, such as pricing or marketing strategies, could slow down business operations (1).
* **Paragraph 3 (AJIM Conclusion)**
  + **Answer:** Operating as a partnership is a good choice.
  + **Justify:** It allows Alex and Priya to combine their skills and share responsibilities.
  + **It Depends:** The success depends on their ability to manage disagreements and maintain clear communication.
  + **Most Important:** The shared workload and combined expertise outweigh the risks of unlimited liability.

### ****Section D – Calculation Questions (2 marks each)****

Refer to the Urban Brew Coffee case study:

1. Urban Brew sells each coffee for £3.50. Last month, they sold 1,200 coffees. Calculate their total revenue.
   * **Total Revenue = Selling Price × Quantity Sold**
   * £3.50 × 1,200 = **£4,200**
2. The fixed costs for Urban Brew are £4,000 per month, and each coffee has a variable cost of £1. Calculate the break-even number of coffees.
   * **Break-even Point = Fixed Costs ÷ (Selling Price – Variable Cost)**
   * £4,000 ÷ (£3.50 – £1) = £4,000 ÷ £2.50 = **1,600 coffees**
3. Urban Brew predicts cash inflows of £10,500 and cash outflows of £7,200 next month. Calculate the net cash flow.
   * **Net Cash Flow = Cash Inflows – Cash Outflows**
   * £10,500 – £7,200 = **£3,300**
4. Urban Brew took out a £10,000 loan with an interest rate of 5%. Calculate the total interest they will pay over one year.
   * **Interest = Loan Amount × Interest Rate**
   * £10,000 × 0.05 = **£500**
5. Urban Brew imported coffee beans worth $2,000 when the exchange rate was £1 = $1.25. Calculate the cost in GBP.
   * **Cost in GBP = Cost in Foreign Currency ÷ Exchange Rate**
   * $2,000 ÷ 1.25 = **£1,600**
6. Last month, Urban Brew’s revenue was £8,000, and this month it increased to £10,000. Calculate the percentage increase in revenue.
   * **Percentage Change = ((New – Old) ÷ Old) × 100**
   * ((£10,000 – £8,000) ÷ £8,000) × 100 = (2,000 ÷ 8,000) × 100 = **25%**

**End of Model Answers Worksheet**

# **GCSE Business – Topic 1.5: Understanding External Influences on Business Worksheet – Model Answers**

### ****Section A – Multiple Choice Questions (1 mark each)****

1. **B)** Government regulations.  
   External influences are factors outside a business's control, such as government laws and regulations.
2. **B)** Increases the price of raw materials.  
   Inflation raises the cost of goods and materials, increasing a business's expenses.
3. **B)** Import and export costs.  
   Exchange rate fluctuations affect the cost of importing materials and exporting products.
4. **B)** Changes in employment laws.  
   Legal factors include laws that affect how businesses operate, such as employment regulations.
5. **C)** Improved brand reputation.  
   Ethical practices can enhance a business’s reputation and attract customers who value sustainability.

### ****Section B – Short Answer Questions****

#### **Explain Questions (3 marks each)**

1. **Explain** one way inflation can impact a small business.
   * Inflation can increase the **cost of raw materials** (1), leading to higher production costs (1), which may force businesses to raise prices, potentially reducing customer demand (1).
2. **Explain** how ethical considerations can influence customer buying decisions.
   * Customers may prefer to buy from businesses that use **ethical sourcing** (1), as it aligns with their values (1), leading to increased brand loyalty and repeat purchases (1).

#### **Outline Questions (2 marks each)**

Refer to the EcoTech Gadgets case study for the following questions:

1. **Outline** one external factor currently affecting EcoTech Gadgets.
   * **Inflation** is increasing production costs (1), making it more expensive for EcoTech to source materials (1).
2. **Outline** one benefit of EcoTech’s focus on sustainability.
   * Focusing on **sustainability** helps EcoTech attract environmentally conscious customers (1), improving brand reputation and sales (1).

### ****Section C – Extended Response Questions****

#### **Discuss Question (6 marks)**

**Discuss** the impact of legal regulations on small businesses.

* Legal regulations can increase **operating costs** for small businesses. Compliance with environmental, health, and safety laws often requires investing in new equipment or processes, which can strain limited budgets.
* However, legal regulations can also **protect businesses and consumers**. For example, strict quality control laws ensure product safety, which can enhance customer trust and reduce the risk of legal issues.

#### **Analyse Question (6 marks)**

Refer to the EcoTech Gadgets case study:

**Analyse** how changes in consumer preferences have benefited EcoTech Gadgets.

* As consumer preferences shift towards **sustainable products**, EcoTech has seen increased demand. This has allowed the business to grow its customer base and boost sales.
* EcoTech’s focus on **ethical sourcing** aligns with customer values, enhancing brand loyalty and differentiating the company from competitors.

#### **Justify Question (9 marks)**

Refer to the EcoTech Gadgets case study:

Sarah and Tom are deciding how to expand their market:

* Option 1: Enter an international market despite exchange rate risks.
* Option 2: Launch a new eco-friendly product line locally.

**Justify** which of these two strategies EcoTech Gadgets should choose.

* **Paragraph 1 (Chosen Option – New Product Line)**
  + EcoTech should launch a **new eco-friendly product line locally** because it allows them to capitalize on existing brand loyalty (1). Expanding their range can attract more environmentally conscious customers (1) while avoiding the risks associated with exchange rate fluctuations (1).
* **Paragraph 2 (Drawback of Chosen Option – New Product Line)**
  + However, launching a new product line requires **significant investment** (1) in research, development, and marketing. If the new products don’t meet customer expectations, it could result in financial losses for EcoTech (1).
* **Paragraph 3 (AJIM Conclusion)**
  + **Answer:** Launching a new eco-friendly product line is the better option.
  + **Justify:** It builds on EcoTech’s established reputation and meets growing demand for sustainable products.
  + **It Depends:** Success depends on the product quality and customer reception.
  + **Most Important:** Staying within the local market avoids exchange rate risks while still expanding the business.

#### **Evaluate Question (12 marks)**

Refer to the EcoTech Gadgets case study:

**Evaluate** whether focusing on ethical sourcing is the most effective way for EcoTech Gadgets to maintain its competitive advantage.

* **Paragraph 1 (Advantages)**
  + Ethical sourcing strengthens EcoTech’s **brand image** (1) and appeals to environmentally conscious consumers (1). This can lead to increased customer loyalty and allows EcoTech to differentiate itself in the market (1).
* **Paragraph 2 (Disadvantages)**
  + Ethical sourcing can lead to **higher production costs** (1), which might reduce profit margins. For example, EcoTech pays more for biodegradable materials, increasing overall expenses (1), which could result in higher prices for customers (1).
* **Paragraph 3 (AJIM Conclusion)**
  + **Answer:** Focusing on ethical sourcing is an effective strategy.
  + **Justify:** It aligns with market trends and enhances EcoTech’s brand image.
  + **It Depends:** The effectiveness depends on whether customers are willing to pay higher prices for ethically sourced products.
  + **Most Important:** EcoTech’s commitment to sustainability helps maintain its competitive edge in an increasingly eco-conscious market.

### ****Section D – Calculation Questions (2 marks each)****

Refer to the EcoTech Gadgets case study:

1. EcoTech imports materials worth $5,000. The exchange rate changes from £1 = $1.30 to £1 = $1.20. Calculate the change in the cost of imports in GBP.
   * **Old Cost:** $5,000 ÷ 1.30 = £3,846.15
   * **New Cost:** $5,000 ÷ 1.20 = £4,166.67
   * **Change in Cost:** £4,166.67 – £3,846.15 = **£320.52 increase**
2. EcoTech’s production costs increased from £20,000 to £22,500 due to inflation. Calculate the percentage increase in production costs.
   * **Percentage Increase = ((New – Old) ÷ Old) × 100**
   * ((£22,500 – £20,000) ÷ £20,000) × 100 = (2,500 ÷ 20,000) × 100 = **12.5%**
3. EcoTech borrowed £15,000 with an interest rate of 4%. Calculate the total interest paid over one year.
   * **Interest = Loan Amount × Interest Rate**
   * £15,000 × 0.04 = **£600**