1.6 Entrepreneurship: Risk, Reward and Assessing Business Viability: Test Pack

AQA 7132 · Calculator allowed · about 15 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer ALL questions. For calculations show your working. At least two questions require full-sentence answers (the 8-mark analysis and the 9-mark recommendation). The fictional case 'Riya's Bike Repairs' is used where indicated.

1 Which one of the following best describes an entrepreneur, in the context of starting a new small business?

- ☐ A) A person who organises resources, takes risks and runs a business
- ☐ B) A manager who only follows instructions in a large company
- ☐ C) A consumer who buys goods and services
- ☐ D) A bank employee who approves loans

(Total for Question 1 is 1 mark)

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2 Define 'risk' as it applies to a person planning to start a new UK micro business.

(Total for Question 2 is 1 mark)

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3 State two risks specifically faced by a sole trader running a local service business such as a bike repair shop.

(Total for Question 3 is 2 marks)

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4 Riya is considering whether to accept an outside investor who offers £5,000 for a 20% share in her start-up. State two possible rewards and one risk of taking this investment.

(Total for Question 4 is 3 marks)

5 Explain one reason why an entrepreneur might accept a high level of risk when launching a new product or service.

(Total for Question 5 is 3 marks)

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Mark scheme · 1.6 Entrepreneurship: Risk, Reward and Assessing Business Viability: Test Pack

Question 1

A cao **B1**

Answer: A

Question 2

a short definition, e.g. the possibility of losing money or not achieving expected outcomes when starting a business **B1**

Answer: The possibility of losing money or not getting the expected returns when starting or running a business.

Question 3

financial risk, e.g. not enough customers or cash flow problems **B1**

personal liability or dependence on the owner, e.g. if the owner falls ill business stops **B1**

Answer: Any two, e.g. not enough customers/cash flow problems; personal liability or dependence on the owner if they are unable to work.

Question 4

reward 1, e.g. immediate cash of £5,000 to invest in the business **B1**

reward 2, e.g. investor input, contacts or expertise that could help growth **B1**

risk, e.g. dilution of ownership and sharing of future profits or loss of some control **B1**

Answer: Rewards: immediate cash of £5,000 to invest; investor expertise or contacts to help growth. Risk: ownership is diluted by 20% and future profits must be shared, possibly reducing Riya's control.

Question 5

identifies a reason, e.g. high potential profit or market share **B1**

develops the reason, e.g. a high margin product could deliver large returns if successful **B1**

links to an outcome, e.g. the entrepreneur may accept risk because the reward could fund growth or pay back investors **B1**

Answer: They may accept high risk because the product could generate high profits or market share; this is developed to show that a high-margin success could produce large returns that fund growth or pay back investors.

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