BUS.EN1 The purpose of business and enterprise

AQA 8132 · Calculator allowed · about 55 minutes

Total Marks

Name: ________________________________ Date: ____ / ____ / ______

Answer ALL questions in the spaces provided. Show your working for any calculation: method marks are available even if your final answer is wrong. Bramblewick Candle Co, used throughout this pack, is a fictional business.

1 Which one of the following best describes the primary purpose of a business?

- ☐ A) To provide entertainment for its customers
- ☐ B) To produce goods and/or services that meet customer needs and wants
- ☐ C) To avoid taking any financial risk
- ☐ D) To spend as much money as possible on new premises

(Total for Question 1 is 1 mark)

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2 Which one of the following is an example of a 'need' rather than a 'want'?

- ☐ A) A luxury scented candle gift set
- ☐ B) Clean drinking water
- ☐ C) A new video game console
- ☐ D) A designer handbag

(Total for Question 2 is 1 mark)

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3 State one example of a good and one example of a service.

(Total for Question 3 is 2 marks)

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4 Define the term 'enterprise' as it applies to starting a business.

(Total for Question 4 is 1 mark)

5 State two personal qualities or skills a successful entrepreneur is likely to need.

(Total for Question 5 is 2 marks)

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6 Priya Nandan, a fictional entrepreneur, uses her own savings to buy wax, jars and craft-fair pitch fees for her new candle business, Bramblewick Candle Co, before she has sold a single candle. Which one of the following best describes the risk Priya is taking?

- ☐ A) She may lose the money she has spent if the candles do not sell
- ☐ B) She is guaranteed to make a profit because she has spent money
- ☐ C) She has removed all risk by spending her own savings rather than borrowing
- ☐ D) She will automatically be repaid by the craft fair organiser

(Total for Question 6 is 1 mark)

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7 Explain one risk that Priya takes by starting Bramblewick Candle Co.

(Total for Question 7 is 3 marks)

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8 Define the term 'opportunity cost'.

(Total for Question 8 is 1 mark)

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9 Before starting Bramblewick Candle Co, Priya earned 24,000 pounds a year in her previous job. In the business's first year, Bramblewick Candle Co makes Priya a profit of 15,000 pounds. Calculate, in pounds, the opportunity cost to Priya of running the business instead of keeping her old job in this first year. Show your working.

(Total for Question 9 is 2 marks)

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10 Explain one non-financial reward Priya might gain from running Bramblewick Candle Co that would not appear in the opportunity-cost figure calculated in question 9.

(Total for Question 10 is 3 marks)

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11 For each description below, identify which of the four factors of production (land, labour, capital or enterprise) it represents at Bramblewick Candle Co.

(a) The workshop space and raw materials, such as wax, that Bramblewick Candle Co uses. **(1)**

(b) The time and effort Priya and any staff put into making the candles. **(1)**

(c) The money invested in equipment, jars and stock. **(1)**

(d) Priya's own willingness to take the risk of organising the other three factors to run the business. **(1)**

(Total for Question 11 is 4 marks)

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12 Bramblewick Candle Co's material cost to make one candle is made up of: wax 1.10 pounds, a jar 0.90 pounds, a wick 0.20 pounds and fragrance oil 0.30 pounds.
Calculate the total material cost of making one candle. Show your working.

(Total for Question 12 is 2 marks)

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13 Bramblewick Candle Co sells each candle for 8.00 pounds. Using your answer to question 12, calculate the added value of one candle. Show your working.

(Total for Question 13 is 2 marks)

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14 Bramblewick Candle Co sells 150 candles in a typical week.

(a) Calculate the total weekly revenue from candle sales. Show your working. **(2)**

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(b) Using your answer to question 13, calculate the total added value Bramblewick Candle Co creates in a typical week. Show your working. **(2)**

....

(Total for Question 14 is 4 marks)

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15 Explain one way, other than raising the selling price, that Bramblewick Candle Co could increase the added value of its candles.

(Total for Question 15 is 3 marks)

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16 Priya is considering leaving her old job completely to run Bramblewick Candle Co full time. In its first year, the business made her 15,000 pounds profit, 9,000 pounds less than her old 24,000 pounds salary (question 9), but she invested her own savings to start it (question 7) and values the independence of running her own business (question 10). Weekly added value is currently 825 pounds (question 14).

Recommend whether Priya should leave her old job completely to run Bramblewick Candle Co full time. Justify your answer using the figures and points made earlier in this pack.

(Total for Question 16 is 9 marks)

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Mark scheme · BUS.EN1 The purpose of business and enterprise

Question 1

- **B1** B cao
- **Answer: B**

Question 2

- **B1** B cao
- **Answer: B**

Question 3

- **B1** any acceptable good, e.g. a scented candle, a loaf of bread, a car
- **B1** any acceptable service, e.g. a haircut, car insurance, a bus journey
- **Answer: Any acceptable pair, e.g. good: a scented candle. Service: a haircut.**

Question 4

- **B1** the willingness and ability of an individual to take the risk of organising resources to start and run a business, in order to make a profit
- **Answer: Enterprise is the willingness and ability of an individual to take the risk of organising resources to start and run a business, in order to make a profit.**

Question 5

- **B1** one acceptable quality, e.g. determination/resilience
- **B1** a second acceptable quality, e.g. willingness to take calculated risks, good decision-making, or the ability to spot a gap in the market
- **Answer: Any two, e.g. determination/resilience; willingness to take calculated risks.**

Question 6

- **B1** A cao
- **Answer: A**

Question 7

- **B1** identifies a risk, e.g. Priya has spent her own savings on wax, jars and pitch fees before making any sales
- **B1** develops the point, e.g. if not enough customers buy her candles, she will not earn back the money she has spent
- **B1** links clearly to an outcome, e.g. this means Priya could lose some or all of her personal savings, as well as the time she has invested in the business
- **Answer: Priya has spent her savings on stock and fees before making any sales, so if not enough candles sell she will not earn this money back and could lose some or all of her savings.**

Question 8

- **B1** the value of the next best alternative given up when a choice is made
- **Answer: Opportunity cost is the value of the next best alternative given up when a choice is made.**

Question 9

- **M1** 24,000 - 15,000 seen
- **A1** 9,000 pounds cao
- **Answer: 9,000 pounds.**

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Question 10

- **B1** identifies a non-financial reward, e.g. being her own boss/independence, or creative satisfaction from designing her own candles
- **B1** develops the point, e.g. she can choose her own working hours and decide the direction of the business without answering to an employer
- **B1** links clearly to an outcome, e.g. this can increase her job satisfaction and motivation, even in a year where the business earns less than her old salary
- **Answer: Priya gains independence, choosing her own hours and business direction rather than answering to an employer, which can increase her job satisfaction even though the business currently earns less than her old salary.**

Question 11

- (a) **B1** land (natural resources)
- **(a) Answer: Land.**
- (b) **B1** labour
- **(b) Answer: Labour.**
- (c) **B1** capital
- **(c) Answer: Capital.**
- (d) **B1** enterprise
- **(d) Answer: Enterprise.**

Question 12

- **M1** 1.10 + 0.90 + 0.20 + 0.30 seen
- **A1** 2.50 pounds cao
- **Answer: 2.50 pounds.**

Question 13

- **M1** 8.00 - 2.50 seen (ft from question 12)
- **A1** 5.50 pounds cao
- **Answer: 5.50 pounds.**

Question 14

- (a) **M1** 8.00 x 150 seen
- (a) **A1** 1,200 pounds cao
- **(a) Answer: 1,200 pounds.**
- (b) **M1** 5.50 x 150 seen (ft from question 13)
- (b) **A1** 825 pounds cao
- **(b) Answer: 825 pounds.**

Question 15

- **B1** identifies a method, e.g. reducing the cost of bought-in materials, or adding a feature customers value, such as personalised labels or gift packaging
- **B1** develops the point, e.g. buying wax and jars in bulk could lower the cost per candle without changing the selling price, or personalisation could let Bramblewick Candle Co justify a higher price for a similar cost
- **B1** links clearly to the effect on added value, e.g. either approach widens the gap between selling price and material cost, increasing added value per candle
- **Answer: Bramblewick Candle Co could buy wax and jars in bulk to lower the material cost per candle, or add a valued feature such as personalised labels; either widens the gap between selling price and material cost, increasing added value.**

Question 16

- **Level 1** (1-3): Makes simple, undeveloped comments about Priya's decision, with little or no use of the pack's figures and no clear recommendation.
- **Level 2** (4-6): Gives a developed argument for or against leaving her old job, using some of the pack's figures, but does not fully weigh both sides or reach a clearly justified recommendation.
- **Level 3** (7-9): Weighs the evidence for and against leaving her old job, using the opportunity-cost, risk and added-value figures from this pack, and reaches a justified recommendation supported by that analysis.
- **Indicative content:**
  - For leaving: with more time to devote to the business, Priya may be able to sell more than 150 candles a week, growing on the 825 pounds weekly added value already being generated (question 14).
  - For leaving: the non-financial rewards identified in question 10, such as independence and job satisfaction, are not captured in the 9,000 pound opportunity-cost gap and add real value to Priya beyond pounds and pence.
  - Against leaving: the 9,000 pound opportunity cost calculated in question 9 shows the business currently pays Priya less than her old job, so leaving now risks a lower income with no guarantee that year two will be more profitable.
  - Against leaving: the risk identified in question 7 (savings spent with no guaranteed return) becomes more serious if Priya has no salaried income to fall back on if sales fall.
  - Judgement: a reasonable recommendation is that Priya should not leave completely yet; she could reduce her hours in her old job gradually, or wait for a second year of rising profit, so she can test whether the business's growth potential (and the non-financial rewards) genuinely outweigh the 9,000 pound opportunity cost before giving up her salary entirely.

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