1.14 Risk and Reward in Business Enterprise: 10-minute Pack

Total Marks

AQA 8132 · Calculators not allowed · about 10 minutes

Name: _____ Date: ____ / ____ / _____

Answer ALL questions in the spaces provided. Show clear reasoning for explanations. At least four questions require full sentence answers.

1 Which of the following is the best example of an entrepreneur accepting a reward that is not monetary?

- ☐ A) Receiving a bank loan to expand
- ☐ B) Feeling proud and having greater control over work decisions
- ☐ C) Paying back hire purchase instalments
- ☐ D) Losing personal savings after a failed product launch

(Total for Question 1 is 1 mark)

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2 Which one of the following is an example of a 'reward' for an entrepreneur like Amelia running Amelia's Artisan Bakes?

- ☐ A) The risk of losing savings
- ☐ B) Personal satisfaction from being your own boss
- ☐ C) A supplier delaying payment
- ☐ D) Having to work long hours

(Total for Question 2 is 1 mark)

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3 State one risk specific to a sole trader like Amelia that is less of a risk for a limited company.

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(Total for Question 3 is 1 mark)

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4 State one way the partners could reduce the risk of taking on the second shop that charges £220 per week in extra rent.

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(Total for Question 4 is 1 mark)

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5 State one benefit of taking a calculated risk rather than avoiding risk entirely when starting a small business.

(Total for Question 5 is 1 mark)

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6 Why can carrying out market research before opening a business reduce its risk?

- ☐ A) It shows whether enough customers are likely to want the product
- ☐ B) It guarantees that the business will make a profit
- ☐ C) It removes all competition from the market
- ☐ D) It lowers the business's fixed costs

(Total for Question 6 is 1 mark)

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7 Amelia considers giving up a salaried job that paid £24,000 a year to run Amelia's Artisan Bakes. Define 'opportunity cost' in this decision context and give the specific opportunity cost for Amelia.

(Total for Question 7 is 2 marks)

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Mark scheme · 1.14 Risk and Reward in Business Enterprise: 10-minute Pack

Question 1

B cao **B1**

Answer: B

Question 2

B cao **B1**

Answer: B

Question 3

identifies unlimited personal liability or the owner's personal assets being at risk **B1**

Answer: Unlimited personal liability, meaning Amelia's personal assets could be at risk if the business fails.

Question 4

a mitigation such as trialling pop-up stalls to test demand, securing a short-term lease, or negotiating rent-free weeks with the landlord **B1**

Answer: Examples: arrange a short-term lease or trial period, or negotiate rent-free weeks to test demand before committing long term.

Question 5

a benefit such as potential higher profit, faster growth, gaining market share, or learning and experience that comes from trying new ideas **B1**

Answer: Potential for higher profit or faster business growth by pursuing opportunities that a risk-averse approach would miss.

Question 6

A cao **B1**

Answer: A

Question 7

definition of opportunity cost as the next best alternative forgone **B1**

the specific cost: the £24,000 salary she gives up (or the job security/income forgone) **B1**

Answer: Opportunity cost is the next best alternative forgone; for Amelia it is the £24,000 a year salary and the job security she gives up by running the bakery full time.

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