1.14 Risk and Reward in Business Enterprise: Test Pack

AQA 8132 · Calculators not allowed · about 15 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

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

1 Amelia's Artisan Bakes is a small sole trader bakery in Bristol. Which one of the following best describes 'risk' for Amelia when she leaves her salaried job to run the bakery full time?

- ☐ A) The chance Amelia will enjoy baking
- ☐ B) The uncertainty over whether the bakery will make enough income
- ☐ C) The guaranteed reward Amelia will receive if the bakery succeeds
- ☐ D) The amount of money Amelia saved before starting

(Total for Question 1 is 1 mark)

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2 Which one of the following is the main way in which a written business plan can reduce the risk of a new venture?

- ☐ A) It guarantees that a bank will lend money
- ☐ B) It removes the need to sell to customers
- ☐ C) It makes the owner work out likely costs, sales and cash needs before spending money
- ☐ D) It is required by law before any business can trade

(Total for Question 2 is 1 mark)

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3 Zara, a fictional craft seller, plans to run a weekend stall. The pitch costs £180. She expects to sell 60 items at £9 each, and each item costs £4 to make.

(a) Calculate Zara's expected profit. Show your working. **(3)**

(b) Zara sells only 40 items. Calculate her profit. Show your working. **(2)**

(Total for Question 3 is 5 marks)

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4 Explain the risk and reward Amelia faces when deciding whether to spend £3,500 of her savings on a new commercial oven for Amelia's Artisan Bakes, rather than keeping the cash as an emergency fund.

(Total for Question 4 is 4 marks)

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Mark scheme · 1.14 Risk and Reward in Business Enterprise: Test Pack

Question 1

B cao **B1**

Answer: B

Question 2

C cao **B1**

Answer: C

Question 3

(a) 60 x 9 = 540 seen (expected revenue) **M1**

(a) 180 + (60 x 4) = 420 seen (total costs) **M1**

(a) £120 cao **A1**

(a) Answer: £120.

(b) (40 x 9) - (180 + 40 x 4) seen, or 360 - 340 seen **M1**

(b) £20 cao **A1**

(b) Answer: £20.

Question 4

identifies a risk: using savings reduces Amelia's financial buffer if sales fall **B1**

develops the risk, e.g. without the emergency fund she may struggle to pay rent or suppliers during a quiet period **B1**

identifies a reward: the oven could increase capacity or improve quality leading to higher sales **B1**

develops the reward, e.g. higher sales or lower unit costs could raise profit, making the investment pay back over time **B1**

Answer: Risk: spending £3,500 reduces Amelia's emergency savings, leaving little financial buffer if sales fall; she could struggle to pay bills in a slow period. Reward: the new oven could increase output or improve product quality, attracting more customers and raising sales and profit so the investment could pay back over time.

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