1.7 The dynamic nature of business: 30-minute Pack

AQA 8132 · Calculators not allowed · about 30 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer ALL questions in the spaces provided. In your longer answers, use relevant business terminology and apply your points clearly to the scenario given.

1 Yusuf decides to go ahead and open his gluten-free bakery.

(a) State two financial risks that Yusuf might face by opening his bakery. **(2)**

(b) State two potential rewards for Yusuf if his bakery is successful. **(2)**

(Total for Question 1 is 4 marks)

2 State two features of a highly competitive (dynamic) market.

(Total for Question 2 is 2 marks)

3 Which one of the following is an example of non-price competition?

- ☐ A) Reducing the selling price of a product
- ☐ B) Offering a longer product guarantee than rival businesses
- ☐ C) Increasing the selling price to raise profit margin
- ☐ D) Copying a rival business's exact selling price

(Total for Question 3 is 1 mark)

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4 State two reasons why an entrepreneur might decide the potential reward of a business idea is worth the risk.

(Total for Question 4 is 2 marks)

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5 Analyse two reasons why new businesses often fail within their first three years.

(Total for Question 5 is 6 marks)

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6 A friend tells Yusuf that 'the safest way to reduce the risk of starting a new business is to choose a business idea that nobody else has ever tried before.'
To what extent do you agree with this statement? Justify your answer.

(Total for Question 6 is 9 marks)

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Mark scheme · 1.7 The dynamic nature of business: 30-minute Pack

Question 1

(a) one acceptable financial risk, e.g. he could lose the money he has invested in the business **B1**

(a) a second acceptable financial risk, e.g. the bakery may not earn enough revenue to cover its costs and could make a loss **B1**

(a) Answer: Any two, e.g. losing his invested savings; the business making a loss if revenue does not cover costs.

(b) one acceptable reward, e.g. he could earn a higher income/profit than in his previous job **B1**

(b) a second acceptable reward, e.g. he gains independence and control over his own business decisions **B1**

(b) Answer: Any two, e.g. higher income/profit; independence and control over decisions.

Question 2

one acceptable feature, e.g. many rival businesses sell similar products **B1**

a second acceptable feature, e.g. businesses must adapt quickly, or prices and products change frequently, to stay ahead of rivals **B1**

Answer: Any two, e.g. many rival businesses selling similar products; businesses must change/adapt quickly to stay competitive.

Question 3

B cao **B1**

Answer: B

Question 4

one acceptable reason, e.g. the potential profit is high enough to justify the risk taken **B1**

a second acceptable reason, e.g. the entrepreneur has researched the market and believes there is strong customer demand **B1**

Answer: Any two, e.g. the potential profit justifies the risk; market research suggests strong customer demand.

Question 5

Level 1 Identifies one or two reasons for business failure with little or no development; the link to the business is limited or missing. **1-3**

Level 2 Identifies reasons and develops them into a clear chain of reasoning that shows how each reason leads to business failure; may use a relevant example. **4-6**

Indicative content:

- Cash-flow problems: the business runs out of money to pay everyday costs before it becomes profitable.
- Poor market research: the owner misjudges customer demand, so not enough people buy the product.
- Strong competition: an established rival with more resources takes customers away from the new business.
- Poor financial management: the owner does not keep accurate records or control spending, leading to losses.
- Insufficient start-up finance: the business does not have enough capital to survive its early, less profitable months.
- Owner lacking relevant skills or experience: poor decisions in areas such as pricing, staffing or marketing.
- Unexpected rise in costs: e.g. rent, wages or raw material prices increase faster than revenue.

Question 6

Level 1 Makes simple, undeveloped comments on the statement, with little application to Yusuf's situation and no clear judgement. **1-3**

Level 2 Gives a developed argument for or against the statement, applying it to Yusuf's situation, but does not fully weigh both sides or reach a clearly justified judgement. **4-6**

Level 3 Weighs arguments for and against the statement, applies them clearly to Yusuf's situation, and reaches a justified judgement supported by the analysis given. **7-9**

Indicative content:

- Agree: an idea nobody else has tried faces no direct competitors, so a first-mover can build a loyal customer base and set prices without being undercut.
- Agree: being first with a genuinely new idea can generate free publicity and media interest, helping the business grow quickly.
- Disagree: an idea nobody has tried may mean there is no proven customer demand for it, which is itself a major risk.
- Disagree: entering a market where competitors already exist can be safer, because it proves demand already exists, as with Yusuf's gluten-free bakery, based on customers already asking for the product.
- Disagree: untried ideas often need more time and money to educate customers about the product, which increases financial risk rather than reducing it.
- Judgement: novelty on its own does not reduce risk; what actually reduces risk is thorough market research and clear evidence of real customer demand, whether the idea is new or already established.
- A strong answer should conclude that the statement is only partly true, and should reference Yusuf's own evidence-based idea to support the judgement.

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