GB1.1 The dynamic nature of business

AQA 8132 · Calculators not allowed · about 65 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 Which one of the following is most likely to create a new business opportunity for an entrepreneur?

- [ ] A) A fall in customer demand for a product
- [ ] B) A new law banning a type of packaging material
- [ ] C) A decrease in the number of potential customers
- [ ] D) A rise in the cost of borrowing money

(Total for Question 1 is 1 mark)

2 State two examples of a change in technology that could create a new business opportunity.

(Total for Question 2 is 2 marks)

3 Yusuf has noticed that none of the cafes in his town sell gluten-free cakes, even though several customers have asked for them. Yusuf is thinking of opening a bakery that only sells gluten-free products.

Which one of the following best describes what has led Yusuf to his business idea?

- [ ] A) A change in the economic climate
- [ ] B) A gap in the market
- [ ] C) A change in the law
- [ ] D) A fall in the cost of raw materials

(Total for Question 3 is 1 mark)

4 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 4 is 4 marks)

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5 Yusuf is weighing up whether his bakery idea will work.

(a) Explain one reason why Yusuf's business idea might succeed. **(3)**

(b) Explain one reason why Yusuf's business idea might fail. **(3)**

(Total for Question 5 is 6 marks)

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

(Total for Question 6 is 6 marks)

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

(Total for Question 7 is 2 marks)

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8 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 8 is 1 mark)

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9 A well-established department store notices that more and more of its customers are shopping online instead of visiting its shops.
Explain one way the department store could respond to this change in the market.

(Total for Question 9 is 3 marks)

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10 State two enterprise skills (personal qualities) that can help an entrepreneur succeed in a dynamic market.

(Total for Question 10 is 2 marks)

11 Two years ago, PrintNow, a small local printing shop, was the only business in its town offering same-day printing. Last year, a national printing chain opened a same-day printing service in the same town, charging lower prices than PrintNow.

(a) State two ways the arrival of the national chain has changed the market for PrintNow. **(2)**

(b) State two ways PrintNow could respond to stay competitive. **(2)**

(Total for Question 11 is 4 marks)

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12 Analyse the possible impact on PrintNow of failing to respond to the arrival of the national printing chain.

(Total for Question 12 is 6 marks)

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13 Which one of the following is most likely to be a reward of taking a business risk that succeeds?

- ☐ A) Loss of personal savings
- ☐ B) Higher profit than before
- ☐ C) Legal action from customers
- ☐ D) Reduced market share

(Total for Question 13 is 1 mark)

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

(Total for Question 14 is 2 marks)

15 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 15 is 9 marks)

Mark scheme · GB1.1 The dynamic nature of business

Question 1

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

Question 2

- **B1** one acceptable change in technology linked to a new opportunity, e.g. the growth of smartphone apps creating demand for app-development businesses
- **B1** a second acceptable change in technology linked to a new opportunity, e.g. wider availability of 3D printing creating demand for custom-printed goods, or faster home broadband creating demand for streaming/delivery services
- **Answer: Any two, e.g. growth of smartphone apps; wider availability of 3D printing; faster/wider broadband enabling streaming or online delivery services.**

Question 3

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

Question 4

- (a) **B1** one acceptable financial risk, e.g. he could lose the money he has invested in the business
- (a) **B1** a second acceptable financial risk, e.g. the bakery may not earn enough revenue to cover its costs and could make a loss
- **(a) Answer: Any two, e.g. losing his invested savings; the business making a loss if revenue does not cover costs.**
- (b) **B1** one acceptable reward, e.g. he could earn a higher income/profit than in his previous job
- (b) **B1** a second acceptable reward, e.g. he gains independence and control over his own business decisions
- **(b) Answer: Any two, e.g. higher income/profit; independence and control over decisions.**

Question 5

- (a) **B1** identifies a reason linked to the scenario, e.g. there is already unmet customer demand for gluten-free cakes
- (a) **B1** develops the point, e.g. by meeting this demand Yusuf can attract customers who currently have nowhere local to buy gluten-free products
- (a) **B1** links clearly to a likely business outcome, e.g. this should generate steady sales and revenue for the new bakery
- **(a) Answer: Yusuf has identified a genuine gap in the market (customers already asking for gluten-free cakes), so meeting that demand should attract customers and generate steady sales.**
- (b) **B1** identifies a reason linked to the scenario, e.g. a larger, established business (such as a supermarket) could start selling its own gluten-free cakes at a lower price
- (b) **B1** develops the point, e.g. Yusuf's bakery would then struggle to compete on price with a much bigger rival
- (b) **B1** links clearly to a likely business outcome, e.g. this could reduce Yusuf's sales and threaten the survival of the bakery
- **(b) Answer: A larger, established rival (e.g. a supermarket) could undercut Yusuf's prices with its own gluten-free range, reducing his sales and threatening the bakery's survival.**

Question 6

- **Level 1** (1-3): Identifies one or two reasons for business failure with little or no development; the link to the business is limited or missing.
- **Level 2** (4-6): 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.
- **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 7

- **B1** 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
- **Answer: Any two, e.g. many rival businesses selling similar products; businesses must change/adapt quickly to stay competitive.**

Question 8

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

Question 9

- **B1** identifies a suitable response, e.g. the department store could invest in building its own online shop
- **B1** develops the point, e.g. this would let existing customers continue buying from the store even if they no longer wish to visit in person
- **B1** links clearly to a likely business outcome, e.g. this should help the store retain sales/revenue that would otherwise be lost to online competitors
- **Answer: The department store could invest in its own online shop so it can keep selling to customers who now prefer to shop online, helping it retain sales it would otherwise lose.**

Question 10

- **B1** one acceptable enterprise skill, e.g. being innovative/creative
- **B1** a second acceptable enterprise skill, e.g. being willing to take calculated risks, resilience, or strong decision-making under pressure
- **Answer: Any two, e.g. innovation/creativity; willingness to take calculated risks; resilience; strong decision-making.**

Question 11

- (a) **B1** one acceptable change, e.g. PrintNow now faces direct price competition from a rival
- (a) **B1** a second acceptable change, e.g. PrintNow has lost its position as the only same-day printing provider in the town, giving customers more choice
- **(a) Answer: Any two, e.g. PrintNow now faces direct price competition; PrintNow is no longer the only same-day printing provider in the town.**
- (b) **B1** one acceptable response, e.g. offer a service the national chain does not, such as personalised design advice
- (b) **B1** a second acceptable response, e.g. build stronger customer loyalty, such as through a loyalty/discount scheme for regular customers
- **(b) Answer: Any two, e.g. offering personalised advice/services the chain does not; introducing a loyalty scheme to retain regular customers.**

Question 12

- **Level 1** (1-3): Identifies one or two possible impacts with little or no development; the chain of reasoning is limited or missing.
- **Level 2** (4-6): Develops a clear chain of reasoning showing how failing to respond leads to a specific, well-explained impact on PrintNow.
- **Indicative content:**
  - PrintNow could lose customers to the cheaper, larger rival, since price is often a deciding factor for similar services.
  - Falling customer numbers would reduce PrintNow's revenue.
  - Lower revenue combined with unchanged fixed costs (e.g. rent, wages) could cause cash-flow problems.
  - Persistent cash-flow problems increase the risk that PrintNow eventually has to close.
  - PrintNow may be unable to afford to invest in new equipment or marketing, weakening it further against the national chain.
  - If PrintNow tries to cut costs to compete on price without responding strategically, service quality could fall, damaging its reputation and losing further customers.

Question 13

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

Question 14

- **B1** 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
- **Answer: Any two, e.g. the potential profit justifies the risk; market research suggests strong customer demand.**

Question 15

- **Level 1** (1-3): Makes simple, undeveloped comments on the statement, with little application to Yusuf's situation and no clear judgement.
- **Level 2** (4-6): 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.
- **Level 3** (7-9): Weighs arguments for and against the statement, applies them clearly to Yusuf's situation, and reaches a justified judgement supported by the analysis given.
- **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.