

# Mixed Big Sheet

1.

Judith Rutherford has just been made redundant from a local business producing window blinds. She had learned many skills both in the factory and in the office. In her locality there are fairly high levels of unemployment so her chances of finding another job are limited. Judith has decided to set up her own business, as a sole trader, producing and selling curtains and blinds.

(d) Apart from taking on a business partner, suggest two sources of finance Judith might use in her business. In each case, give a reason for your choice. [4]

Source 1 .....

Reason .....


Source 2 .....

Reason .....


2.


Which **two** of the following are used by **businesses** in order to raise extra finance? [2]

*Tick two boxes only.*

	Have a raffle	1
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	Sell assets	2
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	Hold a jumble sale	3
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	Take on a partner	4
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3.

Below are a number of business terms.

VENTURE  
CAPITAL

DEMOCRATIC  
LEADERSHIP

BREAK EVEN  
CHART

OVERDRAFT

ORGANISATION  
CHART

DEED OF  
PARTNERSHIP

SPAN OF  
CONTROL

AUTOCRATIC  
LEADERSHIP

Which of the above terms best describes each of the following:

money placed into a business by someone wanting to invest in what is likely to be a growing business?

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4.

Ryan Davies has been a keen reader since childhood. After being made redundant from a travel agent business, where he had worked for a number of years, he decided to set up a shop selling new and second hand books.

(d) All retailers need short-term finance to pay for day-to-day expenses. Suggest and explain one type of short-term finance Ryan might use. [4]

Suggestion .....

Explanation .....

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6.

Second Cup, a specialist coffee retailer, was set up by Tom Culligan, in Toronto, Canada in 1975. He expanded the business through franchising, selling the rights to the business name and product. Second Cup is now one of the most established coffee retailers in the world.



Second Cup cafés offer a wide selection of coffees, espresso-based beverages, iced beverages, blender drinks, speciality teas, frozen yogurt and a range of food items.

*Adapted from mysecondcup.com*

A franchise with Second Cup will cost a minimum of £50 000.

- (c) Suggest **one** possible source of external finance that would be suitable to raise the money to pay the £50 000. Give **one** advantage and **one** disadvantage of your suggestion. [3]

**Source of external finance** .....

**Advantage** .....

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**Disadvantage** .....

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7.

Coed Deri Shopping Centre is on the outskirts of a town. It is situated at the edge of an industrial estate which has offices and workshops. Close by is a leisure centre and within half a mile is a traditional local shopping area.

Ceri's Sofa Store was recently set up by Ceri Thomas who had been made redundant by a town centre department store.

- (a) Suggest and explain two reasons why Ceri might want to set up her own business. [4]

(i) .....

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(ii) .....

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8.

Judith Rutherford has just been made redundant from a local business producing window blinds. She had learned many skills both in the factory and in the office. In her locality there are fairly high levels of unemployment so her chances of finding another job are limited. Judith has decided to set up her own business, as a sole trader, producing and selling curtains and blinds.

Judith could be described as an entrepreneur.

(a) Outline what is meant by the term 'entrepreneur'. [4]

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9.

Ryan Davies has been a keen reader since childhood. After being made redundant from a travel agent business, where he had worked for a number of years, he decided to set up a shop selling new and second hand books.

(a) Suggest and explain two reasons why people such as Ryan want to set up their own businesses. [4]

(i) .....

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(ii) .....

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10.

Goods can be classified into consumer goods and producer (capital) goods.

(b) State what is meant by: [2]

(i) Consumer goods

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(ii) Producer (capital) goods

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11. In the United Kingdom workers generally produce goods or provide services.  
 (a) What is meant by the term 'services'? Give **one** example of a service. [2]

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12. Which **three** of the following services are usually provided by the public sector rather than the private sector in the UK? [3]

*N.B. Tick (✓) three boxes only.*

Healthcare 	1	Mobile Phone Contract 	2
Internet Provider 	3	Education 	4
Armed Forces 	5	Newspaper & Magazine Publishing 	6

# Marking Scheme

1.

8	<p>(d) Apart from taking on a business partner, suggest two sources of finance Judith might use in her business. In each case, give a reason for your choice.</p> <p>Source mentioned [2x1]</p> <p>Valid reason [2x1]</p> <p>Sources might include</p> <p>Reinvested Profits / owners funds/ redundancy payments/ploughed back profits – money previously earned – no need to apply – no interest payable.          Selling assets – selling off unwanted equipment / land etc. – owned by business so no – interest payable          Mortgage/Bank loans – suitable for large sums – over long period – interest may be fixed – instalment repayment          Overdraft – suitable for short term debt – to finance cash flow problem          Becoming limited company – selling shares – permanent loan / no pay back by business shareholders provide capital          Hire Purchase (HP) – used for equipment - deposit needed – instalment repayment – no effect on liability of owners for non-payment as machinery can be returned          (allow) Leasing – used for equipment – never owned – maintenance paid by owner of equipment – updated equipment may be available          Government Grants – given if job creation possible – no need to return – no interest          Trade credit – short term / 30 days – used for materials – sometimes goods sold before debt paid – no interest          Money/loan/gift from family and friends – no interest – flexible terms          (allow) Venture Capital – provided to businesses with potential for growth</p>	4	<p>AO1 2 AO3 2</p>
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2.

1.	<p><b>Which two of the following are used by businesses in order to raise extra finance?</b></p> <p>Selling assets Take on a partner</p>	2	<p>AO1 2</p>
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3.

6.	<p><b>Below are a number of business terms.</b></p> <p><b>Which of the above terms best describes each of the following:</b></p> <p>(iv) money placed into a business by someone wanting to invest in what is likely to be a growing business</p> <p>VENTURE CAPITAL</p>	1	AO1 4
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4.

	<p><b>(d) All retailers need short term finance to pay for day-to-day expenses. Suggest and explain one type of short term finance Ryan might use.</b></p> <p>Suggestion [1]</p> <p>Overdraft Trade credit Own savings Retained profit Family/friends Bank loan Credit card</p> <p>Explanation / description / expansion [3x1]</p> <p>Reference to: Definition How to apply / formal / informal Source Repayment time Interest paid / interest lost Repayment method Effect on liability</p> <p>Examples:</p> <p>Overdraft – from bank – requested – current account – more from account than in account – interest paid on overdrawn amount – reduced when money paid into account – current liability</p> <p>Trade credit – given to (established) customers – allowed credit for short time – usually 30 days – no interest charged discounts allowed if payment within time – current liability. Allows products to be sold before payment.</p>	4	AO2 2 AO3 2
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5.

<p>(e)</p>	<p><b>Evaluate the most suitable sources of finance ARK Windows could use to raise the finance needed for the expansion plans.</b></p> <p><b>Level 1</b> Suggests relevant methods of raising finance with no/ limited explanation.</p> <p>Information is poorly organised. There is limited use of specialist terminology/vocabulary and frequent errors in spelling, punctuation and grammar.</p> <p><b>Level 2</b> Shows how the suggestions will help raise finance or provides advantages or disadvantages of suggestions.</p> <p>Information is well organised and ideas are expressed in a logical manner. There is good use of specialist terms/vocabulary with some errors in spelling, punctuation and grammar, but these are not intrusive.</p> <p><b>Level 3</b> Considers at least 2 suggestions showing how each will help raise the finance needed and providing full evaluation for at least 2.</p> <p>Information is very well organised and the form and style of communication is highly appropriate. There is very good use of specialist terms/vocabulary with few, if any, errors in spelling, punctuation and grammar.</p> <p>Max 4 for one suggestion evaluated very well.</p> <p>Answers could include:          Plough back profits/savings/reserves: this is not an inexpensive source of finance but requires no interest or repayments. However, ARK Windows may not have the required amount as the expansion plans are likely to require a considerable sum of money.</p> <p>Bank loan/Mortgage: Very difficult to obtain for small businesses but if successful the money becomes immediately available. Spread payments / instalments. However, interest has to be paid on the loan and some form of collateral may be required to secure the loan. Bank may take an active interest in the business once the loan is given.</p> <p>Loans/finance from family or friends: Money will be available immediately and may not incur interest. However, limited funds may be available and if loan is not repaid could damage friendships / cause family issues.</p> <p>Government assistance: Usually given to small businesses in regions where unemployment is high. Often they are grants which do not have to be repaid. However, they tend to be small amounts that last only for a relatively short period of time. They are also few and far between.          Restrictions/criteria</p> <p>Change ownership (Partnership/Ltd): This will raise money quite quickly and without interest payments. However, the owner will lose some control and the profits will be distributed between partners/through dividends to shareholders.</p>	<p>10</p> <p>1-3</p> <p>4-6</p> <p>7-10</p>	<p>AO1 3          AO2 3          AO3 4</p>
	<p>Venture capital: Possibly large sums of money can be attained quickly and advice may also be given. However, likely to lose full control of the business.</p> <p>Sale of assets: If the assets are no longer required this could raise large sums of money. However, all assets are likely to be essential to the business.</p> <p>Sales and lease back: Possibility of raising large sums of money whilst still having the use of the essential assets. However, rental payments will be required which could negatively affect cashflow.</p>		

Hire purchase: Useful for purchasing plant and machinery which can be obtained quickly. Finance houses may also be less selective than banks.

However, interest rates are usually very high and the property is not owned by the business until the last payment has been made. Items can be legally repossessed if the business falls behind with repayments.

(allow) Leasing / renting: The business acquires the use of resources without the need for a large sum of money. The maintenance and repair bills are met by the leasing company and they are generally easier to obtain than loans. Equipment can be updated regularly.

However, over a long period of time it can be a very expensive and well in excess of the purchase price. The business never gets to own the items leased.

etc.

**(Not overdraft, trade credit and not becoming a Public Limited Company.)**

6.

<p>8. (c)</p>	<p><b>Suggest <u>one</u> possible source of external finance that would be suitable to raise the money to pay the £50 000. Give <u>one</u> advantage and <u>one</u> disadvantage of your suggestion.</b></p> <p>(x1) for identification of possible source of finance  (x1) for correctly identified advantage  (x1) for correctly identified disadvantage</p> <p>Possible responses may include:</p> <p>Bank loan/mortgage: access to large sums of money.  Spread payments / instalments.</p> <p>However, interest has to be paid on the loan and some form of collateral may be required to secure the loan. Bank may take an active interest in the business once the loan is given. Very difficult to obtain for small businesses.</p> <p>Loans/finance from family or friends: Money will be available immediately and may not incur interest / pay back.</p> <p>However, limited funds may be available and if loan is not repaid could damage friendships / cause family issues.</p>	<p>3</p>	<p>AO2 1  AO3 2</p>
	<p>Government assistance (grant): Usually given to businesses in regions where unemployment is high. Often they are grants which do not have to be repaid.</p> <p>However, they tend to be small amounts that last only for a relatively short period of time. They are also few and far between due to strict criteria.</p> <p>Take on partner/shareholder: They invest capital without interest payments. They offer expertise, skills, specialisations etc.</p> <p>However, the owner will lose some control and the profits will be distributed between partners/shareholders.</p> <p>Venture capital: Possibly large sums of money can be attained quickly and advice may also be given.</p> <p>However, likely to lose full control of the business.</p> <p><b>(Do not award marks for overdraft, trade credit, leasing, hire purchase, sale of assets)</b></p>		

7.

7. (a)	<p><b>Suggest and explain two reasons why Ceri might want to set up her own business.</b></p> <p>Reason suggested [2x1] Reason explained/developed [2x1]</p> <p>Answers might include:</p> <p>Be own boss - better than working for someone else – can work on own ideas- independence Make own decisions - e.g. of decision – will succeed or fail on own ideas No work available – may be no similar business locally – high unemployment in area Easy to set up – no qualifications needed – no formal documentation – may need limited finance – site available Ambition – always wanted to do – challenge - opportunity Reward for own efforts - keep all profits – income not going to employer Use skills – already worked in similar job – knows own strengths/weaknesses Use qualifications – gained in previous employment – e.g. of possible qualification Tax advantage - some costs set against income etc.</p> <p>NOT will not be made redundant NOT will make large profits</p>	4	AO1 1 AO2 1 AO3 2
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8.

8	<p>(a) Outline what is meant by the term entrepreneur.</p> <p>Any points from the following: [4x1] 4 points or 1 point plus development [1x4]</p> <p>They set up a business – have the idea – show the initiative They are the business owners – they invest / put money into the business They run the business – they are the managers – survival / success depends on their efforts They earn the profits / make money – to fund their lifestyle – to further invest They take the risks / face the uncertainties – of e.g. not selling / low demand Suffer the consequences of failure – particularly with unlimited liability Qualities / characteristics of entrepreneur – determined / organised etc.</p>	4	AO1 4
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9.

8.	<p><b>(a) Suggest and explain two reasons why people such as Ryan want to set up their own businesses.</b></p> <p>Each suggestion [1]</p> <p>Each explanation / development [1]</p> <p>Answer might include:</p> <ul style="list-style-type: none"><li>personal ambition – always wanted to do</li><li>reward for own efforts – to make profits / earn money</li><li>use skills – learnt in previous job / experience / interests / hobbies</li><li>be own boss – to be in control</li><li>to be able to make own decisions – e.g.</li><li>no work available – to get a job – to use redundancy pay</li><li>use qualifications – gained in school / college – or in previous job</li><li>etc.</li></ul>	4	AO1 2 AO2 2
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10.	3	<p>(b) Goods can be classified into consumer goods and producer (capital) goods.</p> <p>What is meant by ;</p> <p>(i) Consumer goods – [1]</p> <p>Consumer goods are goods <u>sold to / bought</u> by people / public / final customer - and used by the final consumer / public / customer</p> <p>(ii) Producer (capital goods) – [1]</p> <p>Goods which are <u>sold by</u> one business to another / <u>bought</u> by a business / they are used to help produce other goods.</p> <p>No credit for examples of consumer and producer goods.</p>	2	AO1 2
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11.	3	<p>(a) What is meant by the term services? Give one example of a service</p> <p>Any one point from the following: [1]</p> <p>Non-physical production – intangible – something / process / activity that is done for others – something which is non visible / cannot be seen - may be personal /direct. Nothing for 'provides'</p> <p>Any valid example which may be the name of a service or an occupation within that service. [1]</p>	2	AO1 1 AO2 1
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12.		<p>Which <b>three</b> of the following services are usually provided by the public sector rather than the private sector in the UK?</p> <p>Healthcare Education Armed Forces</p>	3	AO1 3
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