

Unit 1

Understanding Business Activity

Categorised Past Papers



3 Sarah set up a business as a sole trader running a nursery for small children too young to go to school. The business is successful and has opened a number of new nurseries. Sarah took on a business partner in 2007. Growth has continued and now the business has 10 nurseries in different towns and villages. Sarah is planning to open another nursery and is looking for a suitable location.

(a) What is meant by the term 'sole trader'?

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(b) A nursery school is classified as a tertiary sector activity. Identify two other examples of businesses that are also in the tertiary sector.

Example 1:

Example 2: [2]

(c) Identify and explain two advantages to Sarah of having a business partner.

Advantage 1:

Explanation: www.igcsebusiness.co.uk

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Advantage 2:

Explanation:

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..... [4]

- (d) Identify and explain **three** factors Sarah should consider when choosing a suitable location for a new nursery.

*For
Examiner's
Use*

Factor 1:

Explanation:

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Factor 2:

Explanation:

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Factor 3:

Explanation:

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- (e) Do you think that it would be a good idea for Sarah to continue to expand her business? Justify your answer.

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3 Mayfair Solutions, a public limited company, develops software packages for customers. The staff it employs are highly paid, but Mayfair Solutions believes that this is money well spent. The company has to keep updating its software packages because customer requirements keep changing. The software market is very competitive.

(a) What is meant by the term 'public limited company'?

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(b) Identify **two** features of a very competitive market.

Feature 1:
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Feature 2:
..... [2]

(c) Identify and explain **two** possible reasons why the staff at Mayfair Solutions are paid high wages.

Reason 1:
Explanation:
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Reason 2:
Explanation:
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..... [4]

- (d) Identify and explain **three** problems that the need to keep updating its software packages may create for Mayfair Solutions.

For
Examiner's
Use

Problem 1:

Explanation:

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Problem 2:

Explanation:

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Problem 3:

Explanation:

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- (e) Mayfair Solutions has recently received a takeover bid from a large rival software company. Do you think that this takeover would benefit both employees and shareholders of Mayfair Solutions? Justify your answer.

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1 Homeright is a company that makes furniture such as tables and chairs. The company is successful and has grown rapidly in recent years. However the directors have found it difficult to manage the speed of growth. The Managing Director recently said that even more growth is planned for next year. The product range will be doubled and foreign markets entered.

(a) Identify **two** possible reasons why the directors want Homeright to grow.

Reason 1:
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Reason 2:
..... [2]

(b) Identify **two** ways of measuring the success of a business.

Way 1:

Way 2: [2]

(c) Identify and explain **two** possible problems for Homeright of selling its products in foreign markets for the first time.

Problem 1:
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Explanation:
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Problem 2:
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Explanation:
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- (d) Identify and explain **two** problems to Homeright’s management that rapid growth could cause.

For
Examiner's
Use

Problem 1:

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Explanation:

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Problem 2:

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Explanation:

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- (e) Do you think that the profits of Homeright will continue to increase if the company grows in the future? Justify your answer.

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4 Country A has a mix of private sector and public sector enterprises. Figures 1–3 give some data about the two sectors.

Fig. 1: Average hourly wage

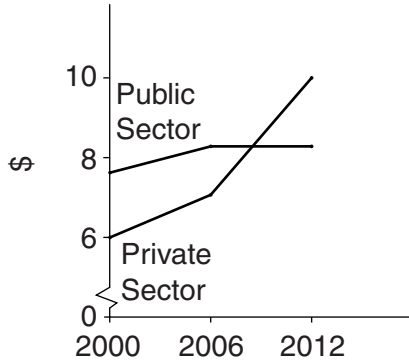


Fig. 2: Average hours worked per week

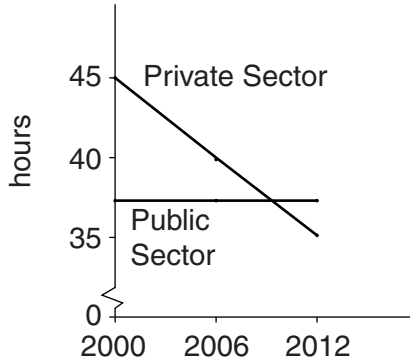
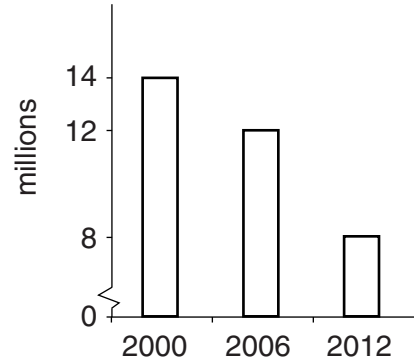


Fig. 3: Number of employees in public sector



(a) Identify **two** examples of public sector enterprises.

Example 1:

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Example 2:

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(b) Identify **two** aims that public sector enterprises often have.

Aim 1:

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Aim 2:

..... [2]

(c) Identify and explain **two** reasons why profits are important to private sector businesses.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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- (d) Consider **each** of the Figures 1–3. Identify and explain **three** changes that are shown by the data in Figures 1–3.

*For
Examiner's
Use*

Change in Figure 1:

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Explanation:

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Change in Figure 2:

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Explanation:

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Change in Figure 3:

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Explanation:

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- (e) Do you think that a large decrease in the number of employees in the public sector in country A will benefit all workers? Justify your answer.

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5 Dmit is a partner in a small retail clothing business. The business has been successful, but it is finding it difficult to compete against larger retailers. The partners are thinking of converting the partnership into a private limited company.

(a) Identify **two** features of a partnership.

Feature 1:
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Feature 2:
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(b) Identify **two** ways of measuring the success of a business.

Way 1:
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Way 2:
..... [2]

(c) Identify and explain **two** reasons why the business might be finding it difficult to compete against larger retailers.

Reason 1:
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Explanation:
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Reason 2:
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Explanation:
..... [4]

- (d) Identify and explain **three** methods of promotion that the partnership could use to increase sales.

*For
Examiner's
Use*

Method 1:

Explanation:

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Method 2:

Explanation:

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Method 3:

Explanation:

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- (e) Consider the advantages and disadvantages of converting the partnership into a private limited company. Recommend whether the partners should do this. Justify your answer.

Advantages:

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Disadvantages:

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Recommendation:

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1 Abdula manages a business partnership that makes sports clothing. The business is working at full capacity. It employs 12 people who are paid on a piece rate basis. The partners have an objective to increase profits by 10% each year for the next 5 years. They are thinking about a joint venture with another manufacturer of sports clothing as one way of achieving this objective.

(a) What is meant by a 'business partnership'?

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(b) Identify **two** ways of paying workers that the partnership could use (other than by piece rates).

Way 1:
Way 2:[2]

(c) Identify and explain **two** advantages to this business of setting objectives.

Advantage 1:
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Explanation:
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Advantage 2:
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Explanation:
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- (d) Identify and explain **two** advantages to the partnership of a joint venture with another manufacturer of sports clothing.

Advantage 1:

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Explanation:

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Advantage 2:

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Explanation:

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- (e) Explain **two** ways (apart from a joint venture) that the partnership could use to achieve its objective of a 10% annual increase in its profit over the next 5 years. Recommend which way is most likely to be successful. Justify your answer.

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4 The Government of country B plans to build a new airport. A Government spokesperson said: 'There will be external costs, but I think there will be more benefits for the local community. We have to support businesses such as airlines in the private sector'. RU Air is one of the world's most profitable airlines. RU has announced plans on its website that it will operate flights to and from country B in the future. RU is a public limited company.

(a) What is meant by the 'private sector'?

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(b) Identify **two** ways the Government might support RU Air and other private sector business activity (other than by building a new airport).

Way 1:
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Way 2:
.....[2]

(c) Identify and explain **two** benefits to RU Air of high profits.

Benefit 1:
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Explanation:
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Benefit 2:
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Explanation:
.....[4]

(d) Identify and explain **two** benefits for RU Air of having a website.

Benefit 1:

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Explanation:

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Benefit 2:

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Explanation:

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(e) Do you agree that there are likely to be more advantages for the local community from the new airport than disadvantages? Justify your answer.

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