

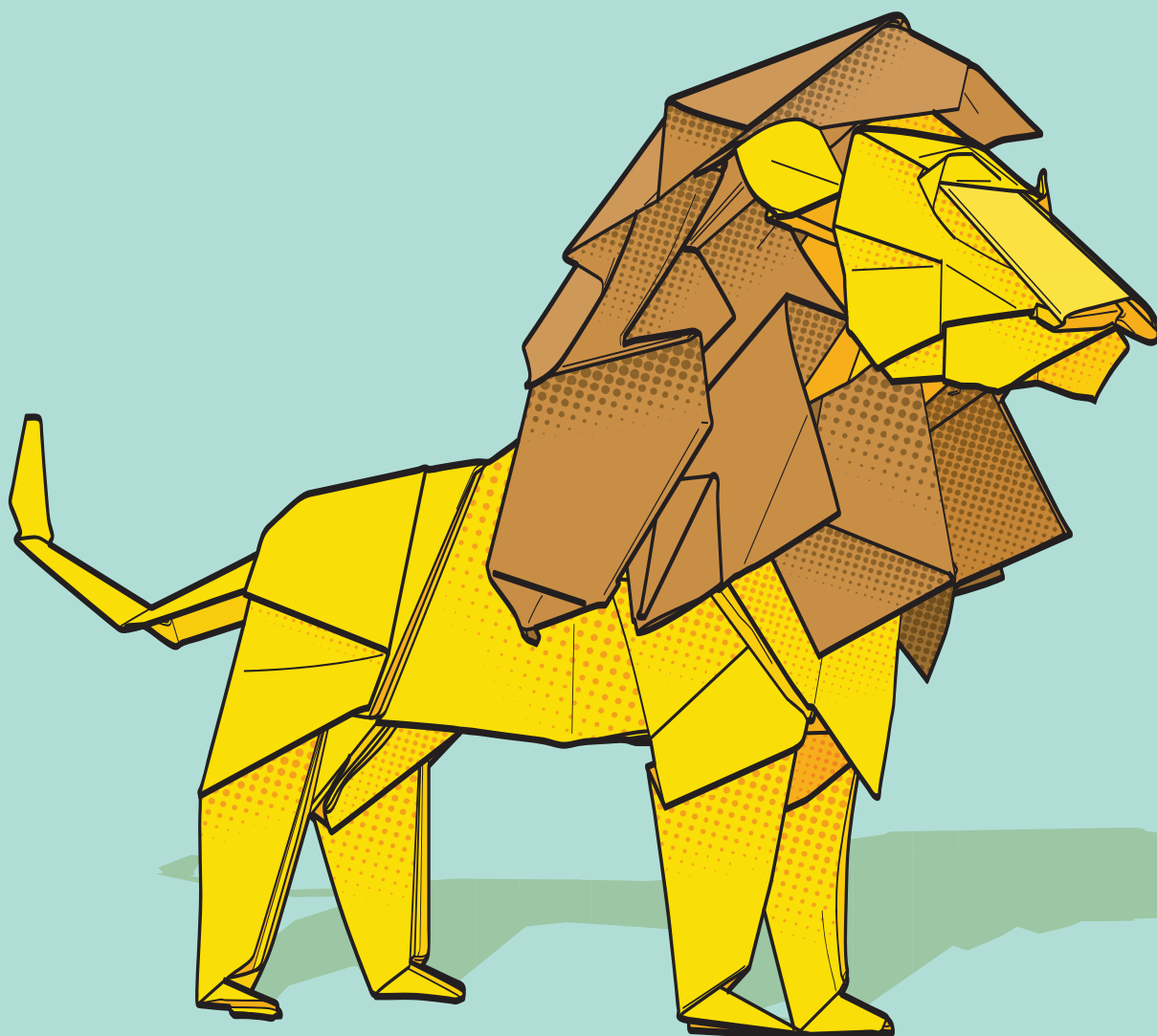


Pearson
Revise

Pearson Edexcel GCSE (9–1)

Business

Revision Workbook



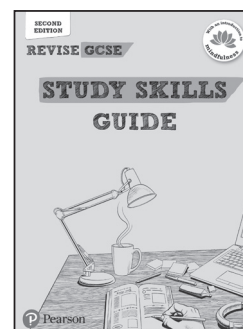
REVISE PEARSON EDEXCEL GCSE (9–1)**Business****REVISION
WORKBOOK**

Series Consultant: Harry Smith

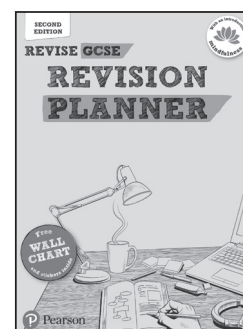
Author: Andrew Redfern

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A small bit of small print

Pearson Edexcel publishes Sample Assessment Material and the Specification on its website. This is the official content and this book should be used in conjunction with it. The questions have been written to help you practise every topic in the book. Remember: the real exam questions may not look like this.

The dynamic nature of business

Target grade 2

- 1 Which one of the following is a reason for a product to become obsolete?

Select **one** answer:

- ☐ A The product breaks
- ☐ B An accessory for the product is introduced
- ☐ C The product is unique
- ☐ D New technology is introduced

(1 mark)

Target grade 4

- 2 Explain **one** way that changing consumer needs could create a new opportunity for a business.

Consumer needs may change due to shifts in lifestyle, fashion and economic conditions.

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(3 marks)

Target grade 4

- 3 Explain **one** reason why a business owner might want to develop new ideas from existing products and services.

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(3 marks)

Target grade 5

- 4 Discuss a factor that an entrepreneur should consider before opening a new business.

One factor that an entrepreneur may consider before opening a new business is whether or not there is a consumer need for the products or services that the business will offer.

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(6 marks)

Guided

Risk and reward

Target grade 1

- 1 Which **one** of the following is a factor that could increase the level of risk in a business?

Guided

Select **one** answer:

- ☐ A Seasonal demand
- ☐ B Having a large target market
- ☒ C ~~Having low fixed costs~~
- ☐ D Employing a large number of employees

Having low fixed costs is an advantage for a business because it will need to sell fewer products before it starts to make a profit, so it does not increase risk.

(1 mark)

Target grade 4

- 2 Explain **one** reason why running a business can involve high levels of risk.

Think about the reasons why some businesses fail.

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(3 marks)

Target grade 5

- 3 Discuss a method that a business owner may use to reduce the level of risk in the running of their business.

Research and planning are two ways that a business owner could reduce the risk. Write a detailed sentence explaining how good planning and good research could reduce risk.

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(6 marks)

The role of business enterprise

Target grade 1

- 1 Which **one** of the following is the purpose of a business?

Select **one** answer:

- ☐ A To produce goods and services
- ☐ B To minimise profit
- ☐ C To meet the needs of suppliers
- ☐ D To only work for the government

(1 mark)

Target grade 1

- 2 Which **one** of the following is **most** likely to be a customer for a marketing agency that produces brochures for tour operators?

Select **one** answer:

- ☐ A The public sector
- ☐ B The general public
- ☒ C The business that supplies the agency with paper
- ☐ D A business selling adventure holidays in Africa

It isn't option C because the business is a **supplier** not a **customer**.

(1 mark)

Target grade 4

- 3 Explain **one** way that a business can meet the needs of its customers.

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Some customers buy products and services because they have a specific function or solve a certain problem. Often customers prioritise price over all other features, but they may also value quality and good customer service too.

(3 marks)

The importance of added value

Ellie Harrison owns the Witney Flower Shop, located in the high street in Witney, Oxfordshire. The business is established and successful. Ellie believes the success is the result of her unique selling point: Ellie imports exotic flowers such as orchids for her customers. No other flower shop in the area provides this service.

Target grade 1

- 1 State the Witney Flower Shop's USP.

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(1 mark)

Target grade 3

- 2 Outline **one** method the Witney Flower Shop could use to add value to its products.

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(2 marks)

Target grade 6

- 3 Analyse the impact on the Witney Flower Shop of the business's location.

Being located on a high street means the business is more visible to passing trade. This adds value because

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Furthermore, being located on a high street makes it easier for customers to visit the shop when buying from other local businesses.

This adds value because

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(6 marks)

Guided

The role of entrepreneurship

Target grade 1

- 1 Which **one** of the following best defines the role of an entrepreneur?

Select **one** answer:

- ☐ A Someone who enjoys working in the service sector
- ☐ B Someone who wants to avoid paying income tax
- ☐ C Someone who owns and runs their own business and takes risks
- ☐ D Someone who runs a business while the owner is away on holiday

(1 mark)

Target grade 2

- 2 Which **two** of the following are characteristics of an entrepreneur?

Select **two** answers:

- ☐ A A willingness to undertake a new venture
- ☐ B A very wealthy family background
- ☐ C A preparedness to take risks
- ☐ D Not willing to take financial risks
- ☐ E An education at least up to A-level

It isn't option E because people do not need academic qualifications to be an entrepreneur.

(2 marks)

Target grade 5

- 3 Discuss an impact that entrepreneurs have on the economy.

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The economy refers to society, people, businesses and the government. Select two of the following words to help you answer this question:

- jobs
- tax
- exports
- spending.

(6 marks)

Customer needs 1

Samit Singh works as a bus driver for a local transport company in Stratford-upon-Avon. He is keen to start his own business providing an express bus service between Stratford-upon-Avon and Birmingham Airport. He spent a week doing market research. Samit interviewed 200 airport users in Stratford-upon-Avon town centre and some of the results are shown below.

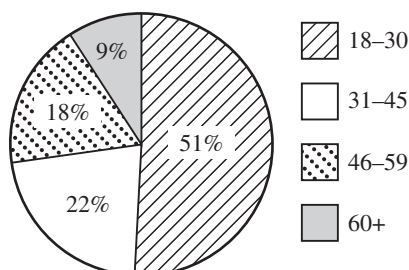


Figure 1 Age profile of people who would use the service

Return fare	% of people prepared to pay
£14–£16	94%
£17–£18	76%
£19–£20	59%
£21–£24	31%
£25–£28	12%
£29+	3%

Table 1: The proportion of people interviewed prepared to pay different fares

Target grade 2

- 1 Identify the percentage of people willing to pay **more than** £20.

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(1 mark)

Target grade 2

- 2 Identify the percentage of potential customers aged 46 or over.

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The answer is not 18%.
Take your time and look at the age brackets carefully.

(1 mark)

Target grade 4

- 3 Explain **one** reason why customer service is an important need that businesses should meet.

Guided

Customer service is important because it is linked to the experience a customer has when they buy a product

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(3 marks)

Customer needs 2

Read the scenario about Samit on page 6.

Target grade **7**

Guided

- 1 Samit wants to differentiate his airport service from the services provided by rival businesses in order to attract customers. He is considering two options to achieve this.

Option 1: A discount of 20% for people who book more than one return trip in a year

Option 2: A door-to-door pick-up service for customers over the age of 60

Justify which **one** of these two options Samit should choose.

You could discuss one or both options in your answer. Show balance in your answer by analysing the benefits and limitations of at least one option. How can you link your answer to the market research?

Option 1 may encourage customers to use Samit's service instead of booking another service

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Decide which option is best and give a clear justification.

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(9 marks)

The role of market research

A clothing shop wanted to find out about the views of its customers. Table 1 shows the results of a question asked to customers.

What is the major factor that attracts you to the shop?

	Number of responses
Value for money	28
Has the clothes that I want	36
Friendly staff	20
Well laid out	5
Late opening hours	11

Table 1

Target grade 2

- 1 State **one** conclusion that the shop could draw from the customers' opinions listed in Table 1.

What is the most important factor?
What is the least important factor?

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(1 mark)

Target grade 3

- 2 Outline **one** appropriate method that the shop could use to anticipate its customers' needs.

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(2 marks)

Target grade 4

- 3 Explain **one** reason why a business would carry out market research.

Market research can help a business to decide the price at which it should sell its products

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(3 marks)

Guided

Types of market research

Target
grade **1**

- 1 Give **one** method of primary research.

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(1 mark)

Target
grade **4**

- 2 Explain **one** benefit to a business of using primary market research.

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Primary market research is first-hand and conducted by the business, rather than by a third party.

(3 marks)

Target
grade **5**

- 3 Discuss the benefit of using secondary market research as opposed to other methods of research.

When answering this question, you could:

- discuss one benefit of secondary market research with several points of development
- discuss two or more benefits of secondary market research with some points of development about each one.

You could also discuss and develop a disadvantage of primary market research.

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(6 marks)

Market research data

Target grade 2

- 1 Identify the sample size of customers surveyed by the clothing shop on page 8.

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(1 mark)

Target grade 4

- 2 Explain **one** reason why market research data might contain bias.

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Bias means that the people involved in the research are not impartial, which means that they are inclined to agree or disagree.

(3 marks)

Target grade 6

- 3 Analyse a reason why the clothing shop on page 8 may also want to use a focus group to gather further market research.

You may want to consider the following questions when you are planning your answer to this question.

- What are the limitations of the current research carried out by the clothing shop?
- How could using a focus group improve the quality of the research?
- How could you refer to the qualitative data in your answer?

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(6 marks)

Market segmentation

Target grade 2

- 1 Give **two** possible ways in which a market could be segmented.

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(2 marks)

Target grade 4

- 2 Explain **one** limitation of market segmentation.

One limitation of market segmentation is

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This is because

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As a result,

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(3 marks)

Target grade 5

- 3 Discuss **one** reason why a business may choose to target a specific segment of a market with its products and services.

How might market segmentation make it easier for a business to:

- develop products
- advertise its products and services
- conduct market research?

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(6 marks)

Mario Tevez wants to open a restaurant specialising in South American cuisine. He thinks there might be a gap in the market in his home town of Odmoor in Yorkshire. Figure 1 is a market map that he has drawn up to identify whether there are any gaps in the market. There are currently eight restaurants in Odmoor.

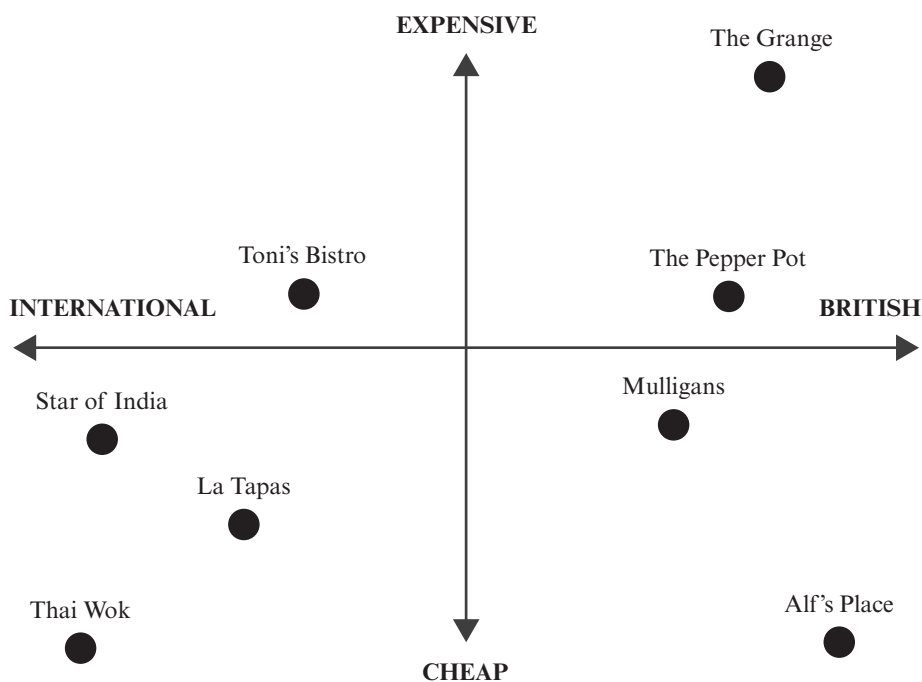


Figure 1

Target grade **7**

Mario is considering two options for the type of restaurant he would like to open in Odmoor.

Option 1: A premium-priced restaurant serving South American cuisine

Option 2: A medium-priced restaurant serving British cuisine

1 Justify which **one** of these options Mario should choose.

Although it seems that there is a gap in the market for this type of restaurant, make sure you consider some of the limitations and issues Mario should bear in mind.

This image shows a full page of white paper with horizontal dashed lines, typical of primary school handwriting practice paper. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

(9 marks)

Competition

Valerie and Norman Trembath own a dairy farm in Cornwall. In 2015, they decided to use some of the milk they produced to make their own brand of ice cream. Their analysis of the local competition showed that there was only one supplier of premium-priced ice cream in the area, so they developed a brand called 'Truro's Best'. It is very rich and creamy, and it is sold at a premium price. Most of their customers are in the catering industry – hotels and restaurants. Valerie and Norman now have an established product range and can produce ice cream in any flavour ordered by their customers, which larger ice cream manufacturers cannot do.

Target grade 2

- 1 State **one** reason why the Trembaths thought there was an opportunity in the local market for their premium ice cream.

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(1 mark)

Target grade 3

- 2 Outline **one** way in which the Trembaths have differentiated their ice cream.

Guided

The Trembaths offer ice cream in any flavour ordered by customers.

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(2 marks)

Target grade 3

- 3 Outline **one** method that the Trembaths could use to further differentiate their ice cream.

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(2 marks)

Add a point of development for the second mark in this question.

Differentiation is closely linked to adding value.

Competitive markets

Read the scenario about Valerie and Norman Trembath on page 13.

Target grade 4

- 1 Explain **one** impact upon a business of increased competition in a market.

If a large number of businesses sell a very similar type of product.

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(3 marks)

Target grade 6

- 2 Analyse an impact on the Trembaths' business if competitors entered the market.

When answering this question, make sure that you:

- explain at least one impact on Valerie and Norman's business
- link your answer to the context of the scenario.

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What makes Valerie and Norman's ice cream stand out? How might this help them to beat the competition?

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(6 marks)

Aims and objectives

Anna O'Neil had worked for a large supermarket chain for eight years and, by the age of 24, she wanted to run her own retail business. She was creative, driven and wanted to be her own boss. Her father lent Anna £40 000, plus she used £10 000 of her savings to open a shop. She chose to locate the shop in the town of Fort William in the Scottish Highlands, near Ben Nevis, in order to sell outdoor pursuits equipment and accessories. Her initial aim was to ensure that the business was still trading in two years' time.

After two years, Anna's business has started to make a small annual profit and has a strong cash-flow position. People such as climbers and skiers visit from all over Scotland, though usually only when visiting Ben Nevis and the surrounding area. The business has attracted publicity in national outdoor sports magazines because of its commitment to providing personal attention and advice for customers. It has also attracted a huge following on social media, where it shares pictures of its staff and customers climbing, skiing and mountain biking.

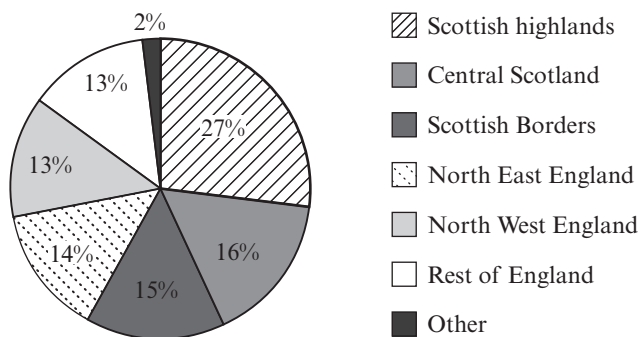


Figure 1 Where Anna's customers come from

Anna is now considering setting new objectives.

Target grade 2

- 1 State **one** non-financial objective that Anna had when she launched her own business.

..... (1 mark)

Target grade 3

- 2 Outline **one** non-financial objective that Anna's business could now adopt.

Opening a second shop

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..... (2 marks)

Target grade 4

- 3 Explain **one** reason why a business owner might set an objective to break-even.

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..... (3 marks)

Why is it important to break-even?

Read the scenario about Anna on page 15.

Target grade 8

- 1** Evaluate whether Anna should make her new aim to open a second shop. You should use the information provided as well as your knowledge of business.

- a paragraph that analyses why this objective might be suitable, making at least two points about its suitability
- a paragraph that analyses why this objective might not be suitable, making at least two points about its unsuitability
- a justified decision, explaining what factors the decision may depend upon
- a recommended course of action for Anna to take, considering the factors that she should take into account.

[illegible]

Use additional paper to complete your answer.

Revenues and costs

Philips is a small pottery business which specialises in ceramic plates. Table 1 contains financial information for one month (January).

Table 1

Number of ceramic plates produced and sold	200
Price per plate	£12
Variable cost per plate	£3
Fixed costs per month	£600

Target grade **5**

- 1 Calculate the total costs for Philips during the month of January. You are advised to show your workings.

£

(2 marks)

Target grade **5**

- 2 Calculate the total revenue for Philips during the month of January. You are advised to show your workings.

Guided

Revenue = Price × Quantity

£

(2 marks)

Target grade **4**

- 3 Explain **one** reason why a business owner might want to reduce the variable cost per unit.

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The difference between the unit price and variable cost per unit is the profit margin (also known as the contribution).

(3 marks)

Profit and loss

Philips is a small pottery business which specialises in ceramic plates. The owners would like to increase their profits, but they know that they are unlikely to increase their sales, so they are considering different options to increase profits. They would like to do this because the business made a loss last month.

Target grade 2

- 1 State **one** action that Philips could take to increase their profits.

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(1 mark)

Target grade 3

- 2 Outline **one** reason why Philips may have made a loss last month.

.....

(2 marks)

The owners of Philips are considering taking out a loan of £5000, which they will repay over four years. Their monthly repayment will be £116.50.

Target grade 5

- 3 Calculate the total interest that Philips will pay for this loan as a percentage of the total amount borrowed. You are advised to show your workings.

.....%

Give your answer to two decimal places.

(2 marks)

Target grade 5

- 4 The following table shows the costs, revenues and profits for Philips for a different two month period. Complete the table by filling in the **four** blanks.

	June	July
Total revenue	£3000	£3200
Fixed costs	£600	£600
Variable costs	(i) £2200	(iii)
Total costs	£2800	(iv)
Profit/loss	(ii)	£500

Total costs = Fixed + Variable costs
 Profit = Total revenue – Total costs

(4 marks)

Guided

Break-even charts

Target grade 2

Guided

- 1 Which **one** of the following is a definition of the term 'break-even level of output'?

Select **one** answer:

- ☐ A The level of output at which total profit = total costs
- ☐ B The level of output at which total fixed costs = total revenue
- ☐ C The level of output at which total variable costs = total fixed costs
- ☐ D The level of output at which total revenue = total costs

It isn't A because profit isn't used to calculate the break-even level of output.

(1 mark)

Yeffects is a small recording studio that offers bands and singers a chance to record an album. It has constructed the break-even chart shown in Figure 1. It charges customers £500 for a session to record their album.

- Its fixed costs are £4000.
- Variable costs are £250 a session.

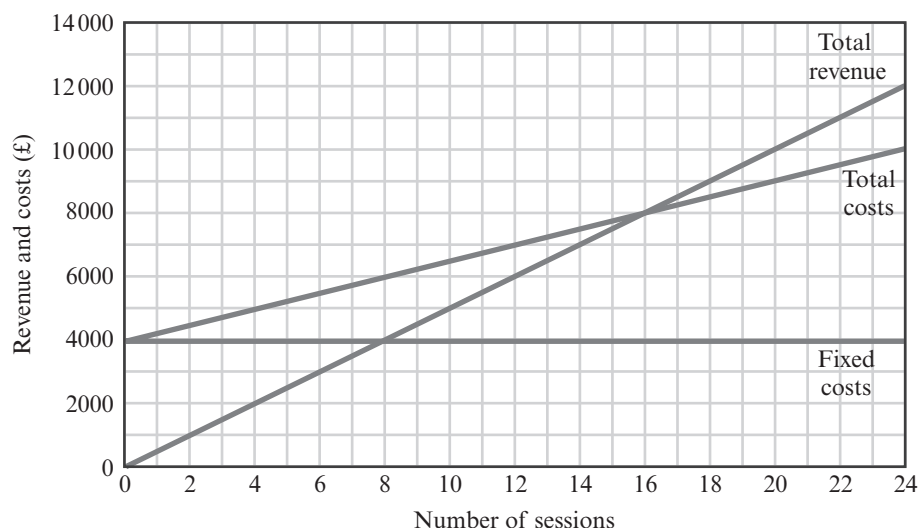


Figure 1 Break-even per month

Target grade 1

- 2 Using Figure 1, identify the number of sessions that the business needs to sell in order to break even.

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(1 mark)

Target grade 1

- 3 Using Figure 1, identify the total revenue of the business if it sold 20 sessions a month.

.....

(1 mark)

Target grade 1

- 4 Using the information in Figure 1, calculate the profit if the business sold 24 sessions a month. You are advised to show your workings.

£

The profit for 24 sessions can be read from the chart by comparing the difference between the total costs and total revenue lines for 24 sessions and reading from the y-axis.

(2 marks)

Using break-even

Yffects is a small recording studio that offers bands and singers a chance to record an album. It charges customers £500 for a session to record their album.

- Its fixed costs are £4000.
- Variable costs are £250 a session.

Target grade **2**

Guided

- 1 State **one** action that Yffects could take to increase its margin of safety.

Reduce the fixed costs of

.....

(1 mark)

Yffects thinks its price is too low compared with other studios. It has decided to increase its price to £570 per session.

Target grade **5**

- 2 Calculate the break-even level of output following this decision.

(2 marks)

Target grade **6**

- 3 Analyse the impact of Yffects using break-even analysis to make business decisions.

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(6 marks)

It may help you to identify the different impacts of a decision if you remember that the impacts could be negative or positive.