Edexcel GCSE BUSINESS STUDIES

SPOTTING A BUSINESS OPPORTUNITY

NAME _____

Unit 1: Section 2
Showing Enterprise

What you need to know

Topic 1.2 Showing enterprise

This topic looks at the skills needed to be enterprising. This involves asking questions and seeking answers without feeling the need for certainty. These skills could be of benefit in any workplace situation, but especially in the context of a business start-up. The objective is to encourage creative and active thinking and learning.

What students need to learn	Guidance
What is enterprise? • that enterprise involves taking risks, showing initiative, and a willingness to undertake new ventures • the difference between providing goods or a service	Short case studies (including Dragons' Den) are an easy way to understand the approaches of different entrepreneurs.
Thinking creatively: • why thinking creatively is important in developing both competitive advantage and a new business • the role of lateral thinking and deliberate creativity in developing new business ideas	Using a search engine to look for 'deliberate creativity' provides a lot of useful information on this widely-used technique. Edward De Bono's *Six Thinking Hats* also works well for assessing new business ideas in class.
What questions do entrepreneurs ask? • the important questions to ask when coming up with new business ideas such as Why? Why not? What if? • the concept of looking beyond the obvious, asking 'What if?' and judging the value of outcomes.	When was the last time students bought a product or service that disappointed them? Does this reveal entrepreneurial opportunities they might explore?
Taking a calculated risk: • understand the principle of taking a calculated risk • understand that weighing up the risks and the rewards of a new business idea is an important part of the process of judging outcome and viability of a start-up • to see mistakes as part of the process of learning to succeed	The idea is to encourage thought about the downsides and upsides, as well as the chances of them occurring. 'Dragon' venture capital investors may look for huge potential upsides, whereas many entrepreneurs want a safe way of making a living, not a fortune.
Other important enterprise skills: • explain the importance of planning, thinking ahead, seeing opportunities, having drive and determination • making connections, using mindmaps to collect thoughts and see opportunities	The aim here is get students to bring together all the work they have done and the techniques and skills they have learnt to produce a possible idea for a business start-up opportunity of their own.

Revision Review

Key term definitions

Risk	
Reward	
Enterprise	
Entrepreneur	
Goods	
Services	
Deliberate Creativity	
Lateral Thinking	
Venture Capital	
Determination	
Initiative	

Two methods of deliberate creativity

Two skills of an entrepreneur

Questions

Q1.

Which **two** of the following are questions an entrepreneur should ask to find out if there would be enough customers for a new business idea?

Select **two** answers:

☐ **A** What is the average level of income of local people?

☐ **B** What if fixed costs increase in the first six months?

☐ **C** What type of promotion should I use?

☐ **D** How many people live in the area?

☐ **E** How much should I spend on advertising?

(Total for Question = 2 marks)

Q2.

This question is based on the information below.

Fayazee Mantel is an entrepreneur who owns and runs a successful printing business. She keeps a weekly diary, an extract of which is shown below.

Monday 9:30 am	Met with my main ink supplier today and negotiated a 20% discount on the next order
Tuesday 12:15 pm	Shared with employees my vision for the business over the next two years
Wednesday 8:00 am	Re-organised the layout of the printing room which should lead to less time being wasted
Thursday 3:30 pm	Placed an order for 30% more paper than normal. If my new promotion strategy works then I'm sure this will pay off!
Friday 5:00 pm	Met the owner of a travel agent at a small business conference. They needed a sales leaflet producing urgently. I told them we could do it and she agreed to give us the order. Brilliant news!

Using the information, which entrepreneurial skill does Fayazee demonstrate on Thursday?

Select **one** answer:

☒ **A** Recognising the importance of making mistakes

☒ **B** Making connections

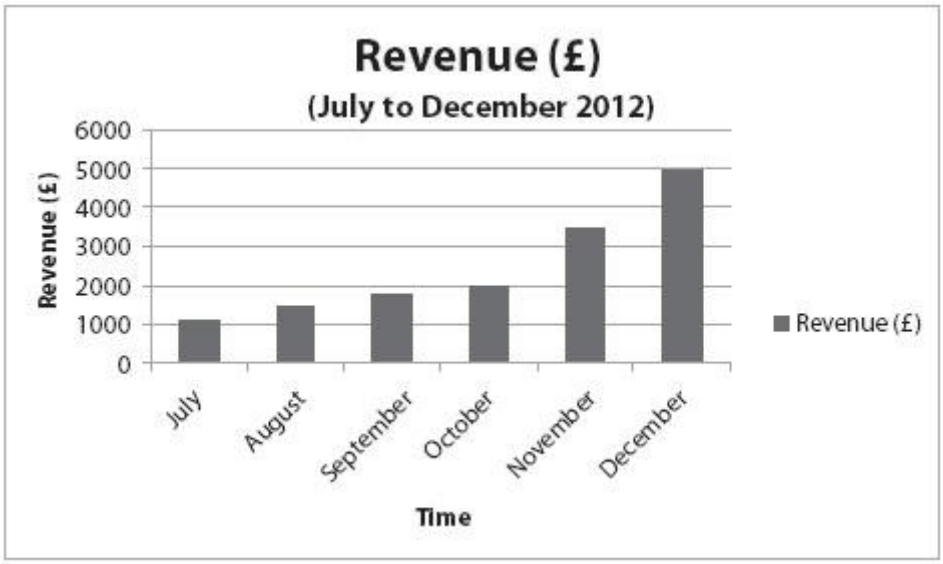
☒ **C** Using mind maps to collect her thoughts

☒ **D** Taking risks and making decisions

(Total for Question = 1 mark)

Q3.

A business has the following revenue information over a six-month period.



Which **one** of the following is an example of calculated risk for the owner of this business?

Select **one** answer.

- ☒ **A** Revenue increases by 400% between July and December
- ☒ **B** Revenue in July is 30% lower than in December
- ☒ **C** There is a 25% chance of profits falling in the next six months
- ☒ **D** Variable costs increase by 40%

(Total for Question = 1 mark)

Q4.

Which **one** of the following is the most important feature of enterprise?

Select **one** answer

- ☒ **A** Poor planning
- ☒ **B** A willingness to take risks
- ☒ **C** Gaining qualifications
- ☒ **D** Employing people

(Total for Question = 1 mark)

Q5.

Match the term on the left with the correct definition on the right.

The first one has been done for you.

Term	
Venture capital	i
Market map	ii
Stakeholder	iii
Quantitative data	iv
Market segment	v
Lateral thinking	vi

	Definition
A	Information that can be counted or expressed numerically.
B	Goods or services sold to foreign buyers.
C	A way of showing the net cash flow at the end of each period.
D	A way of solving problems by rejecting traditional methods in favour of more radical methods.
E	Money invested into a new business idea where there is an element of risk.
F	A group that has an interest in the success of a business or is affected by the activities of a business.
G	A visual means of showing where a product is positioned in the market.
H	Information about opinions, judgements and attitudes.
I	A group of buyers with similar buying habits.

(i) .....E.....

(ii) .....

(iii) .....

(iv) .....

(v) .....

(vi) .....

(Total for question = 5 marks)

Q6.

Match the definition on the left with the correct term on the right.

The first one has been done for you.

	Definition
i	The value of one currency expressed in terms of another
ii	Treating employees differently based on age, race, gender or disability
iii	Something which is different to any other business and which reflects what the business does
iv	Raw materials such as tin, wheat and oil
v	The process of turning inventions into products that can be sold to customers
vi	A document outlining the skills and qualities needed in a job applicant

	Term
A	Discrimination
B	Interest rate
C	Person specification
D	Innovation
E	Exchange rate
F	Commodities
G	Patent
H	Added value
I	Unique selling point

(i) E

(ii) .....

(iii) .....

(iv) .....

(v) .....

(vi) .....

(Total for Question = 5 marks)

Q7.

Match the term on the left with the correct definition on the right.

The first one has been done for you.

	Term
i	Commodities
ii	Corporation tax
iii	Qualitative data
iv	Branding
v	Enterprise
vi	Calculated risk

	Definition
A	Usually a name or image that identifies a business from its competitors.
B	Showing how an original idea can work in theory.
C	Paid by limited companies on their profits.
D	Information about opinions, judgements and attitudes.
E	Weighing up the probability of profit or loss.
F	Raw materials such as tin, wheat and oil.
G	The payment of a percentage of sales revenue to the government.
H	Involves taking risks, showing initiative and a willingness to undertake new ventures.
I	Using data to make products appear different.

(i) F

(ii) .....

(iii) .....

(iv) .....

(v) .....

(vi) .....

(Total for question = 5 marks)

Q8.

Which **three** of the following are examples of risks which increase the chance of a new business failing in its first year?

Select **three** answers:

- ☐ **A** Variable costs turn out to be lower than forecast
- ☐ **B** The bank increases interest rates on business loans
- ☐ **C** There is less competition than expected in the local area
- ☐ **D** There are more potential customers than market research suggested
- ☐ **E** There is a downturn in economic activity
- ☐ **F** Net cash flow turns out to be negative

(Total for Question = 3 marks)

Q9.

Which **two** of the following factors would be important for a sole trader when starting up a hairdressing business?

Select **two** answers.

- ☐ **A** Ability to raise share capital
- ☐ **B** How to finance the business
- ☐ **C** Able to produce products cheaply
- ☐ **D** The exchange rate
- ☐ **E** The legal aspects

(Total for question = 2 marks)

Q10.

Which **one** of the following best describes lateral thinking?

Select **one** answer.

- ☐ **A** Generating ideas using a quantitative approach
- ☐ **B** Detailed planning following a set process
- ☐ **C** Working to a planned timetable
- ☐ **D** Solving problems using a creative approach

(Total for question = 1 mark)

Q11.

WEDGEWELLY LTD

Mike, Sarah and Laura started a business called *WedgeWelly*. It makes Wellington boots with a high heel to appeal to women and festival-goers.

Mike, Sarah and Laura wanted to expand *WedgeWelly* but needed additional capital. They appeared on the television programme *Dragons' Den*. One of the venture capitalists (a Dragon) invested £65 000 for a 25% stake in the business.

(Source: http://www.wedgewelly.co.uk/)

The owners of *WedgeWelly* needed to protect their design by using a patent.

What are **two** possible benefits of a patent?

A patent:

Select **two** answers.

- ☐ **A** provides proof of ownership of an invention or process
- ☐ **B** ensures that a business will not make any losses
- ☐ **C** establishes sole rights to the use of a product
- ☐ **D** is an insurance policy that provides protection for 20 years
- ☐ **E** prevents other businesses from using the brand name

(Total for question = 2 marks)

Q12.

A large number of small businesses fail within the first two years.

Identify **two** reasons why so many small businesses fail in the first two years.

Select **two** answers.

- ☐ **A** Revenue higher than costs
- ☐ **B** Product not customer orientated
- ☐ **C** Having a detailed Business Plan
- ☐ **D** Good repeat business
- ☐ **E** Rapid growth and over expansion.

(Total for question = 2 marks)

Mark Scheme

Q1.

Question	Answer	Mark
	A, D	2

2.

Question	Answer	Mark
	D	1

Q3.

	Answer	**Mark**
	C	**1**

Q4.

	Answer	**Mark**
	B	1

Q5.

Question	Answer	Mark
	G, F, A, I, D	5

Q6.

Question	Answer	Mark
	(i) = E; (ii) = A; (iii) = I; (iv) = F; (v) = D (vi) = C	5

Q7.

Question Number	Answer	Mark
	(ii) C (1) (iii) D (1) (iv) A (1) (v) H (1) (vi) E (1) NB: Accept either lower or upper case	**(5)**

Q8.

Question	Answer	Mark
	B, E, F	3

Q9.

Question Number	Answer	Mark
	B, How to finance the business (1) E, The legal aspects (1)	**(2)**

Q10.

Question Number	Answer	Mark
	D, Solving problems using a creative approach (1)	**(1)**

Q11.

Question Number	Answer	Mark
	A, provides proof of ownership of an invention or process (1) C, establishes sole rights to the use of a product (1)	**(2)**

Q12.

Question Number	Answer	Mark
	B, Product not customer orientated (1) E, Rapid growth and over expansion (1)	**(2)**