

## PRACTISE QUESTIONS BOOKLET

### Level 1/2 Cambridge National in Enterprise and Marketing

#### R064/01: Enterprise and marketing concepts

You may use:

- A calculator

First Name										
Last Name										
Centre number						Candidate number				

#### INSTRUCTIONS

- Use black ink.
- Complete the boxes above with your name, centre number and candidate number.
- Answer **all** the questions.
- Write your answer to each question in the space provided. If additional space is required, use the lined page(s) at the end of this booklet. The question number(s) must be clearly shown.
- Do **not** write in the bar codes.

## Section A

Answer **all** the questions.

Put a tick (✓) in the box next to the **one** correct answer for each question.

1. A sole trader business has unlimited liability. One key feature of unlimited liability is that:

- (a) they are responsible for all of their debts
- (b) they are working with a number of other people
- (c) they cannot get finance from a bank
- (d) they work on their own

[1]

2. Which **ONE** of the following is an external factor that could impact on product development?

- (a) Departmental communication
- (b) New legislation
- (c) Staffing costs
- (d) Store layout

[1]

3. A restaurant has created a new pizza dough recipe for their pizzas. Which **ONE** of the following is a legal issue they need to consider to protect their new pizza dough recipe?

- (a) Business plan
- (b) Discrimination
- (c) Inflation
- (d) Patent

[1]

4. Which of the following may be a reason for a small business to complete market research?

- (a) To advertise for a new sales manager
- (b) To aid decision-making about their product
- (c) To help track stock levels
- (d) To inform staff of changes to their product

[1]

5. Which of the following is an aspect of the design mix model that contributes to the successful design of a new handbag?

- (a) A design which has an appealing appearance
- (b) A design which is cheaply priced
- (c) A design which is produced by a computer program
- (d) A design which is widely advertised

[1]

6. Which of the following is an economic external factor that could affect product development?

- (a) Change in pricing
- (b) Change in taxation
- (c) Copyright challenge
- (d) Digital development

[1]

7. Which of the following correctly represents the stages of the product lifecycle?

- (a) Development, Introduction, Growth, Maturity, Decline
- (b) Development, Introduction, Maturity, Growth, Decline
- (c) Introduction, Development, Growth, Maturity, Decline
- (d) Maturity, Development, Introduction, Growth, Decline

[1]

8. A shoe shop is on a retail park that has two other shoe shops. It is moving to a retail park with only clothes and household goods shops.

This will help the business to achieve:

- (a) cheaper advertising
- (b) lower production costs
- (c) product differentiation
- (d) reduced variable costs

[1]

9. A variable cost can be best defined as:

- (a) a cost that cannot be measured
- (b) a cost that changes with demand
- (c) a cost that changes with output
- (d) a cost that increases and decreases

[1]

10. Which of the following is a typical benefit to the business of the growth stage of the product lifecycle?

- (a) Competition increases
- (b) Profit margins improve
- (c) Sales volumes peak
- (d) Highest price is set

[1]

11. Which of the following would be effective in attracting and retaining customers in a mobile phone sales franchise?

- (a) A delivery fee is charged on all new phones
- (b) A single brand of phone is sold
- (c) An extended warranty is offered on all phones
- (d) Phone sales are by appointment only

[1]

12. If you advertised your intended new business on different social media platforms and asked a large number of people to invest money into the business, you would be looking for which source of capital?

(a) A group loan

(b) Business angel financing

(c) Crowdfunding

(d) Social media funding

[1]

13. Which of the following is an example of price skimming?

(a) Keeping the price of a fashion trainer high to make it exclusive

(b) Keeping the price of a fashion trainer low so that more customers can afford it

(c) Pricing a new fashion trainer in line with other fashion trainers

(d) Setting a high price for a new fashion trainer at first and lowering it over time

[1]

14. Which of the following would be considered an 'extension strategy'?

(a) Advertising a weekend sale deal on an existing range of tablet cases

(b) Applying competitive pricing to a new range of smart watches

(c) Creating new packaging for an existing range of video games

(d) Developing a customer service strategy to be used by all staff

[1]

15. Which of the following activities is **most** likely to be carried out by the marketing function of a clothes shop?

(a) Deliver induction training

(b) Recruit new staff to work in the shop

(c) Set the price of a product

(d) Stock control

[1]

16. If total revenue is equal to total cost, a business will:

- (a) Break even
- (b) Increase prices
- (c) Make a loss
- (d) Make a profit

[1]

17. Which of the following is **not** a stage of the product lifecycle?

- (a) Development
- (b) Growth
- (c) Introduction
- (d) Recession

[1]

18. Which of the following is a reason why a business needs to segment its market?

- (a) Its customers all live in London
- (b) Its customers require different benefits from a product
- (c) To benefit from limited liability
- (d) To benefit from unlimited liability

[1]

19. Which of the following is an example of a technological development which may affect product development?

- (a) A booming economy
- (b) Launch of new production machinery
- (c) New product safety standards
- (d) Recession in the economy

[1]

20. Which of the following is an example of a fixed cost for a shoe retailer?

(a) Carrier bags

(b) Ink cartridges for the cash till

(c) Insurance for the shop premises

(d) Shoe boxes

[1]

21. Which of the following sources of capital usually involves individuals contributing finance by buying equity in the business?

a) Bank loan

b) Overdraft

c) Crowdfunding

d) Small business grant

[1]

22. Keenan is thinking of buying a franchise from a well-known chain of coffee shops.

Which of the following is a **disadvantage** to Keenan of becoming a franchisee?

a. Customers will know the brand name

b. Head office will offer business support

c. Royalty payments have to be made to the franchisor

d. The menu will include well-known drinks

[1]

23. The owner of Hair by Hari Ltd forecasts that it will cut the hair of 60 customers during its first month of opening. The average price for a haircut will be £45.

How much sales revenue will be made during the first month of trading?

a. £270

b. £2700

c. £2900

d. £27000

[1]

24. Dividing a market by age, occupation or income is a technique known as:

- (a) Customer service
- (b) Marketing
- (c) Market research
- (d) Market segmentation

[1]

25. Limited liability means that:

- a. One owner cannot sell their share in the business without the permission of the other owners
- b. Owners are liable for all debts of the business
- c. Owners do not risk losing personal possessions to repay the debts of the business
- d. Profits must be shared equally between the owners of the business

[1]

26. What is the name given to a pricing strategy which usually involves all prices ending in 99p?

- (a) Competitive pricing
- (b) Price penetration
- (c) Price skimming
- (d) Psychological pricing

[1]

27. A business aims to break even during its first year of trading. Which section of a business plan is most likely to include this information?

- (a) Banking
- (b) Business objectives
- (c) Marketing plan
- (d) Resources plan

[1]



28. Which functional area of a business would be responsible for developing new products to meet customer needs?

(a) Finance

(b) Human Resources

(c) Marketing

(d) Operations

[1]

29. Which of the following is a method which a customer may use to give feedback to a business?

(a) After sales service

(b) Customer comment card

(c) Loyalty scheme

(d) Purchase shares in the business

[1]

30. Which of the following is an example of a method to 'add value' to a product?

(a) Advertise the product

(b) Improve the specification of the product

(c) Increase the price of the product

(d) Run a consumer trial

[1]

31. As a new business owner you may use 'desk research' to research competitors' products. Which of the following is a benefit of using 'desk research'?

(a) It allows you to gain information about your specific product

(b) It allows you to gain the views of a large number of potential customers

(c) The cost of accessing information is usually low

(d) The information available is always accurate

[1]

32. Which of the following would help to achieve product differentiation for a new business selling school trainers?

- (a) A marketing campaign aimed at school children
- (b) Offering a range of sizes and colours
- (c) Producing personalised trainers with the name printed on them
- (d) Setting up an online-only business to reduce fixed costs

[1]

33. Which of the following is an example of a variable cost for a coffee shop?

- a. Buildings insurance
- b. Interest on a start-up loan
- c. Milk
- d. Newspaper advertising

[1]

34. Which of the following is a word which describes a growing economy?

- (a) Boom
- (b) Decline
- (c) Recession
- (d) Slump

[1]

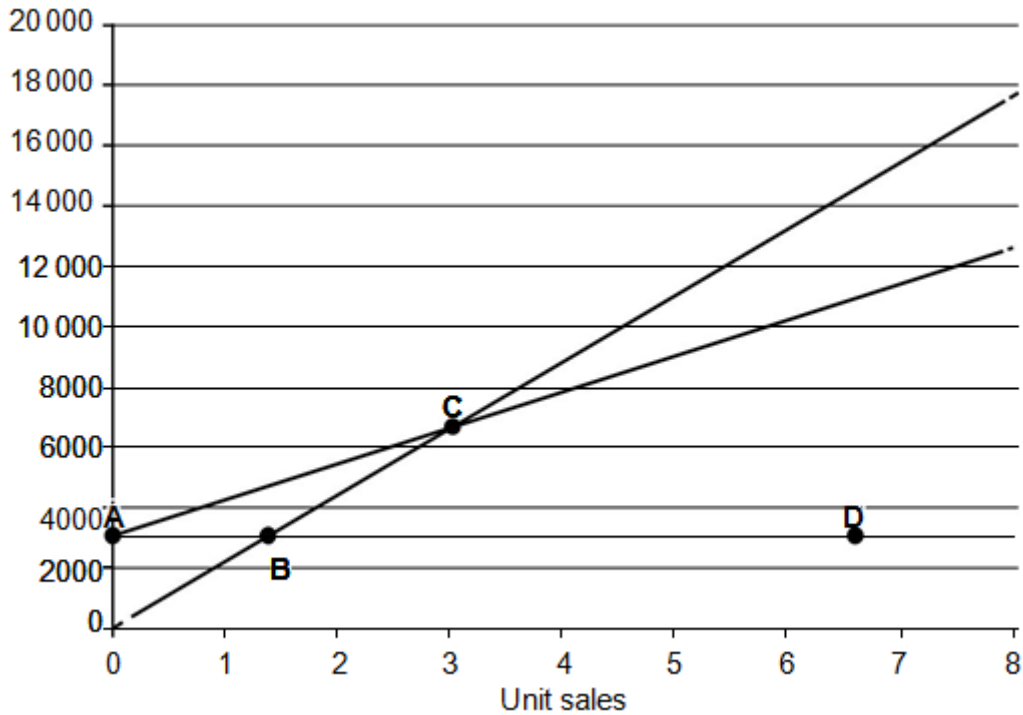
35. Which functional area is responsible for monitoring cash flow?

- (a) Banking
- (b) Finance
- (c) Human Resources
- (d) Operations

[1]

36. A break-even graph for a new product is shown below.



Which letter on the diagram above shows the break-even point for the product?

- (a) A
- (b) B
- (c) C
- (d) D


[1]

37. What is the name given to the share of profits paid by a franchisee to a franchisor each year?

- (a) Loyalties
- (b) Patent
- (c) Royalties
- (d) Taxation


[1]

38. Which functional area is responsible for health and safety in the workplace?

(a) Finance

(b) Human Resources

(c) Marketing

(d) Operations

[1]

39. Which of the following is a method of primary (field) market research?

(a) Consumer trials

(b) Government statistics

(c) Internal data

(d) Mintel report

[1]

40. Which of the following tasks would be carried out by the Marketing function of a business?

(a) Allocating financial resources

(b) Finding out customer opinions

(c) Planning production

(d) Selecting new employees

[1]

41. Which of the following is a legal external factor which could affect product development?

(a) Copyright challenge

(b) Economic recession

(c) Interest rate rise

(d) Launch of a new mobile operating system

[1]

42. Which of the following would be included in a business plan for a start-up business?

(a) A review of the business objectives set last year

(b) Profits during the last 12 months

(c) Profit forecasts for the next 12 months

(d) Sales during the last 12 months

[1]

43. A sole trader decides to advertise their business using social media. One key feature of advertising using social media is that:

(a) It can only target people in the local area

(b) It is low cost to keep details up-to-date

(c) It is time-consuming to change details on existing advertising

(d) It will only be seen by people aged under 25

[1]

44. Which pricing strategy is being used by a business which launches a new product with a low price to generate sales quickly?

(a) Competitive pricing

(b) Price penetration

(c) Price skimming

(d) Psychological pricing

[1]

45. A sole trader finances their new business using a small business grant.

Which of the following **best** describes a feature of this source of capital?

(a) A high rate of interest will be charged

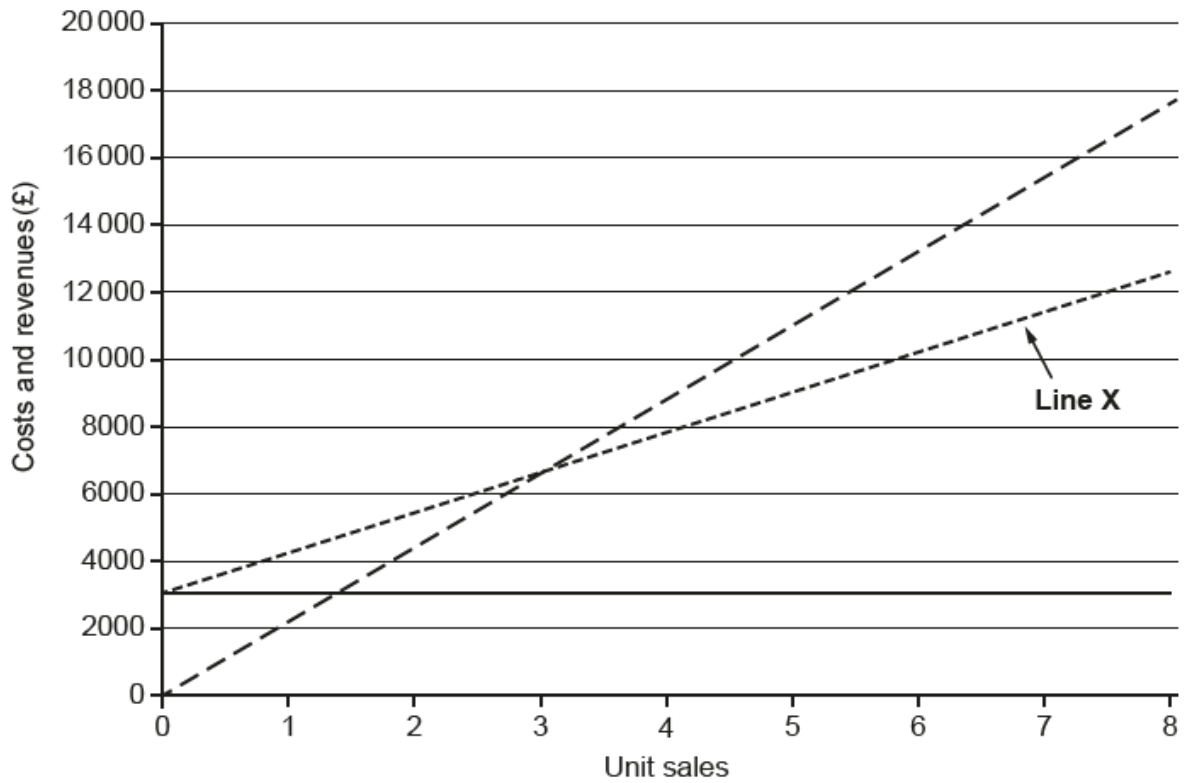
(b) High application fees will be charged

(c) The funds obtained do not have to be repaid

(d) This source of capital can always be obtained without completing an application form

[1]

46. A break-even graph is shown below.



What does Line X represent on the break-even graph?

- (a) Fixed costs
- (b) Sales revenue
- (c) Total costs
- (d) Variable costs


[1]

47. Which of the following would **not** be carried out by the Operations function of a business?

(a) Ensuring compliance with employment legislation

(b) Logistics

(c) Production planning

(d) Quality control

[1]

48. A sole trader carries out secondary (desk) market research when preparing to set up a new business.

One benefit of using this method is that:

(a) It cannot be accessed by competitors

(b) It is relatively quick to obtain

(c) It is always up-to-date

(d) The data is tailored to the needs of the individual business

[1]

**Section B**

Answer **all** questions in this Section.

You are planning to take over the franchise of a local grocery store called 'Proctor's Supplies' and you are drafting a business plan.

**49.** Identify **two** items that may be detailed in your business plan.

Item 1: .....

Item 2: .....

**[2]**

**50.** State and explain **two** reasons for having a business plan for Proctor's Supplies:

Reason 1: .....

Explanation: .....

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Reason 2: .....

Explanation: .....

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**[4]**

**51.** Analyse **two** benefits of starting your grocery store business as a franchisee.

Benefit 1: .....

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Benefit 2: .....

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**[6]**



52. You want to investigate your customers' views on opening hours using an online method of market research. What market research method would you use? Explain why you would use this method.

Online market research method:

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Explanation:

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..... [2]

53. You intend to employ new staff to work in your store when you take over the franchise.

a) i) Identify the functional area of a business that would usually complete the activity of recruitment and selection:

..... [1]

ii) Identify one further activity of this functional area for which you will have responsibility in Proctor's Supplies:

..... [1]

b) In order to attract and retain customers to your new grocery store, you will train your staff to offer high levels of customer service.

State and explain **one** topic that you will cover in their customer service training:

Topic covered: .....

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Explanation: .....

..... [2]

54. You are also considering offering product discounts to attract and retain customers to Proctor's Supplies.

State and explain **one** advantage and **one** disadvantage of offering discounts to Proctor's Supplies customers.

Advantage: .....

Explanation: .....

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Disadvantage: .....

Explanation: .....

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[4]

55. State and explain **two** factors that you need to consider when setting the price for your products in Proctor's Supplies to attract and retain customers.

Factor 1: .....

Explanation: .....

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Factor 2: .....

Explanation: .....

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[4]

56. You intend to segment your market based on the income of your customers.

State and explain **two** benefits of using market segmentation. ....

Benefit 1: .....

Explanation: .....

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Benefit 2: .....

Explanation: .....

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**[4]**

57. You are considering using competitive pricing to compete with other local stores.

Explain what is meant by 'competitive pricing'.

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**[2]**

58. You intend to sell fresh pastries in Proctor's Supplies. Your selling price for each pastry will be £1.15 and you estimate that you will sell an average of 30 pastries each day. Proctor's Supplies is closed on a Sunday.

Calculate the total revenue you will generate from the sales of pastries in a week, assuming your sales estimate is correct. Show your workings.

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**[3]**

59. You will have to pay fixed costs in the operation of Proctor's Supplies.

a) Explain what is meant by the term 'fixed costs':

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[1]

b) Identify **TWO** fixed costs that Proctor's Supplies may have:

1. ....

2. ....

[2]

60. You are thinking of selling food hampers and are using the following break-even formula as a budgeting tool:

Fixed Costs

Selling price per unit – Variable cost per unit

a) Using this formula, calculate the break-even point for food hamper sales at Proctor's Supplies if:

Fixed Costs	£5 000
Selling price per unit	£10
Variable cost per unit	£5

Show your workings

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[2]

b) Explain **one** way you could use your break-even point calculation to help make a business decision for Proctor's Supplies.

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[2]

c) After analysing your market research you forecast that you will sell 1,750 food hampers.

Calculate the amount of profit or loss that you will make based on this forecast. Show your workings and state whether you will make a profit or loss.

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[4]

61. Several large businesses have agreed to produce and supply grocery products for you to sell in Proctor's Supplies.

a. Identify three Operations activities that these suppliers may need to manage.

- i. ....
- ii. ....
- iii. ....

[3]

a. Experts predict that the economy may go into recession over the coming six months.

Analyse **two** ways in which the proposed economic recession might impact on **product development** for your suppliers.

Impact 1: .....  
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Impact 2: .....  
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[6]



You are thinking of opening an ice cream café in a local tourist resort. You have decided to carry out some market research.

**63 (a)** Identify **two** purposes of market research.

- 1 .....
- 2 ..... **[2]**

**(b)** Identify **two** primary market research methods which you could use for your ice cream café.

- 1 .....
- 2 ..... **[2]**

**(c)** Analyse **two** benefits of carrying out primary market research rather than secondary market research. **[6]**

Benefit 1 .....

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Benefit 2 .....

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64. You plan to run your ice cream café as a sole trader. Analyse two benefits of running a business as a sole trader.

Benefit 1 .....

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Benefit 2 .....

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[6]

65 You want to develop a clear unique selling point (USP) for your ice cream café.

a. Explain what is meant by the term 'unique selling point'.

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[2]



b. State and explain **two** different features that give your ice cream café a clear unique selling point (USP).

Method 1 .....

Explanation .....

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Method 2 .....

Explanation .....

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[4]

65 Your market research suggests that you will sell 150 medium-sized ice creams on an average day in May.

Fixed costs	£300 per day
Selling price	£3.40 per ice cream
Variable costs	£0.80 per ice cream

(a) Using the information above, calculate:

(i) the total costs for an average day in May.

Show your workings.

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..... [3]

ii) the profit made during a week in May, if you open seven days per week.

Show your workings..

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(b) During August you plan to sell a 'limited edition' citrus flavour ice cream.

Explain **one** legal factor which may affect the development of the 'limited edition' citrus flavour.

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..... [2]

(c) Other than introducing new flavours, identify **three** product lifecycle extension strategies which could be used by your business in the future.

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66 After analysing the results from your market research, you plan to introduce an outside seating area during the summer months. However, to purchase the tables and chairs, you need to raise some additional capital.

Your Uncle Percy has offered to lend the money to you.

(a) State and explain **one** advantage and **one** disadvantage of taking a loan from your Uncle Percy.

Advantage .....

Explanation .....

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Disadvantage .....

Explanation .....

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..... [4]

67 You are considering using point of sale advertising for your ice cream café.

(a) Explain what is meant by 'point of sale advertising'.

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..... [2]

(b) Other than point of sale advertising, identify **two** sales promotion techniques which you could use.

1 .....  
2 .....

[2]

68 Your friend, Tomasz, is going to help you with the activities relating to the finance function of your ice cream café. He has created a break-even graph using the results from your market research.

(a) Identify **one** line on a typical break-even graph.

..... [1]

(b) State and explain **two** decisions which the break-even graph may help you to make.

Decision 1 .....

Explanation .....

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Decision 2 .....

Explanation .....

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[4]

**69** You need to select a pricing strategy for all of the ice creams on your menu and are thinking about adopting either price skimming **or** price penetration.

Recommend which pricing strategy should be used. Justify your answer.

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You are planning to set up a small business selling cases for mobile phones. The business will be run as a partnership with your friend Raj.

**70** Analyse **two** benefits of starting your business as a partnership rather than as a sole trader.

Benefit 1 .....

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Benefit 2 .....

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**[6]**

**71** Explain **one** reason why a business plan may be needed for your new business.

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**[3]**

72 Identify **two** stages of the product life cycle.

- 1 .....
- 2 .....

[2]

73 State and explain **two** decisions which the product life cycle may help you to make.

Decision 1 .....

Explanation .....

Decision 2 .....

Explanation .....

[4]

74 Raj suggests that you should segment your market carefully.

(a) Identify **two** ways you could segment the market for mobile phone cases.

- 1 .....
- 2 .....

[2]

(b) State and explain **one** benefit which you may gain from segmenting the market.

Benefit .....

Explanation .....

[2]

**75** You are considering doing some market research using a focus group to gain customers' views on five mobile phone case designs which you are developing.

State and explain **one** advantage and **one** disadvantage of carrying out your market research using a focus group.

Advantage .....

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Explanation .....

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Disadvantage .....

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Explanation .....

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**[4]**

**76** State and explain **two** methods which you could use to differentiate your mobile phone cases from others available in the market.

Method 1 .....

Explanation .....

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Method 2 .....

Explanation .....

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**[4]**

**77** Raj is going to be responsible for the Human Resources function in your business.

State and explain **two** activities which Raj may need to carry out as part of the Human Resources function.

Activity 1 .....

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Explanation .....

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Activity 2 .....

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Explanation .....

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[4]

**78** You plan to finance the production of the new range of mobile phone cases by obtaining capital from a business angel.

State and explain **two** benefits of obtaining capital from a business angel.

Benefit 1 .....

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Explanation .....

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Benefit 2 .....

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Explanation .....

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[4]

**79** You plan to sell your new range of mobile phone cases for £9.99 per case and forecast that you will sell 25 cases per week.

**(a)** Identify what this pricing strategy is called.

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[1]

**(b)** Calculate the total revenue which you expect to earn from the sale of this range of mobile phone cases over four weeks. Show your workings.

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[3]



80 Your mobile phone cases have been very successful and you are now planning to introduce a new range of computer tablet cases. Raj suggests that you use the following break-even formula to help you to decide whether to introduce the new product line.

$$\frac{\text{Fixed costs}}{\text{Selling price per unit} - \text{Variable cost per unit}}$$

(a) Using this formula, calculate the break-even point per month for the new range of computer tablet cases using the following forecasted figures:

- Fixed costs £8 000 per month
- Selling price per unit £30
- Variable cost per unit £10

Show your workings.

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[2]

(b) Explain **one** external technological factor which may affect the accuracy of the forecasted figures used to calculate the break-even point.

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[2]







