# Check In test

# Introduction to Business

## Questions

Questions 1 to 6 and 9 to 11 assess AS and A Level Business content.

Questions 7, 8 and 12 assess A Level Business content only.

1. Which of the following is unlikely to be a characteristic of a successful entrepreneur?

(a) Creativity

(b) Persistence

(c) Risk aversion

(d) Self-confidence

**[1]**

1. The factor of production ‘capital’ includes:

(a) all of a firm’s non-revenue expenditure

(b) buildings, machinery and tools used by a firm

(c) current investment in a firm by owners and financiers

(d) the amount of money in a firm’s bank account

**[1]**

1. A charity which collects second-hand clothing for the benefit of the underprivileged overseas is an example of:

(a) a secondary organisation operating in the private sector

(b) a secondary organisation operating in the third sector

(c) a tertiary organisation operating in the private sector

(d) a tertiary organisation operating in the third sector

**[1]**

1. Which one of the following business functions is primarily concerned with advertising the organisation?

(a) Customer service

(b) Finance

(c) Marketing

(d) Sales

**[1]**

1. A private limited company:

(a) benefits from unlimited liability

(b) can sell shares on the London Stock Exchange

(c) cannot trade internationally

(d) has a separate legal identity from its owners

**[1]**

1. A business is most likely to remain small if:

(a) it cannot access funds for expansion

(b) its entrepreneur is ambitious

(c) the market it operates in is highly competitive

(d) the product it makes can be mass produced

**[1]**

1. Enterprise and entrepreneurship benefit the UK economy by:

(a) decreasing the balance of trade

(b) increasing tax revenue

(c) lowering disposable incomes

(d) raising the underlying rate of inflation

**[1]**

1. Which of the following is a characteristic of a co-operative?

(a) Managed under licence by a franchisee

(b) Operated for the benefit of a charitable cause

(c) Owned by partners who share the profit equally

(d) Run by members for the benefit of members

**[1]**

1. Distinguish between an ‘international business’ and a ‘multinational business’. **[2]**

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1. Outline **one** disadvantage to a production operative of working for a   
   large organisation.  **[2]**

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1. Jack Crispen is currently a sole trader.

State **two** reasons why Jack Crispen might wish to take on a business partner. **[2]**

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1. State **four** reasons why a business might undertake a joint venture. **[4]**

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## Mark Scheme

| **Question** | | **Answer** | **Marks** | **AO** | **Rationale** |
| --- | --- | --- | --- | --- | --- |
|  |  | **(c)** | **1** | **1** | **(a)** Creativity is needed to come up with ideas and solutions.  **(b)** Success does not come immediately. An entrepreneur needs to be persistent.  **(c) Correct answer:** Entrepreneurs need to be comfortable with the risks of having a business.  **(d)** Entrepreneurs need to have self-confidence if they are going to get other stakeholders eg financiers, suppliers, stockists or customers on board. |
|  |  | **(b)** | **1** | **1** | **(a)** This is capital expenditure rather than the factor of production.  **(b) Correct answer:** The factor of production ‘capital’ refers to the inputs that are needed to create a good or service.  **(c)** The amount invested by owners is termed capital, but it is not a factor of production.  **(d)** Capital is a term often used in business to mean money, but it is not a factor of production. |
|  |  | **(d)** | **1** | **2** | **(a)** Secondary organisations manufacture, private sector is owned by individual investors.  **(b)** The organisation is a charity so third sector is correct, but it does not manufacturer goods.  **(c)** The organisation provides a service so is a tertiary organisation but it is a charity rather than a privately owned business.  **(d) Correct answer:** A charity operates in the third sector. In this case it is providing a service of clothing collection and distribution so a tertiary organisation. |
|  |  | **(c)** | **1** | **1** | **(a)** Customer service deals with customer enquiries before and after sales take place.  **(b)** Finance will supply the advertising budget but advertising is not its primary concern.  **(c) Correct answer:** Advertising is one of the core functions of marketing.  **(d)** Marketing is not synonymous with the sales function which is purely for obtaining sales. |
|  |  | **(d)** | **1** | **1** | **(a)** A private limited company benefits from limited liability, not unlimited liability.  **(b)** Only a public limited company can sell shares on the London Stock Exchange.  **(c)** A private limited company can trade locally, nationally or internationally.  **(d) Correct answer:** A private limited company is an incorporated organisation and therefore has a separate identity to its owners. |
|  |  | **(a)** | **1** | **1** | **(a) Correct answer:** to grow a business usually needs financial resources to expand.  **(b)** Ambition is more likely to drive an entrepreneur to expand the business so that it becomes larger  **(c)** A highly competitive market has no direct correlation with business size – many of the large multinationals operate in highly competitive markets.  **(d)** A product which can be mass produced is likely to produced on a large scale, products and services which require a personal touch are far more likely to be produced by small businesses. |
|  |  | **(b)** | **1** | **1** | **(a)** More business activity will help improve the UK’s trade balance.  **(b) Correct answer:** More business activity will mean more taxes – eg income tax (sole trader, partnership), corporation tax (companies) and VAT (consumers).  **(c)** More business activity will lead to a higher standard of living and higher disposable incomes  **(d)** Too much economic activity could raise the underlying rate of inflation but this would be unlikely to be a benefit. |
|  |  | **(d)** | **1** | **1** | **(a)** This is a characteristic of a franchise rather than a co-operative.  **(b)** Co-operatives are private sector businesses, they are not charities.  **(c)** This is a characteristic of a partnership.  **(d) Correct answer:** A co-operative is owned and run by its members, for the benefit of its member who have each have one vote and who share in the profits. |

| **Question** | | | **Answer** | **Marks** | **Guidance** |
| --- | --- | --- | --- | --- | --- |
| **9** |  |  | One mark for international business.  One mark for multinational business. | **2**  (AO1 2) | Indicative content:   * international business - sells to/trades with more than one country, may operate solely in the UK. * multinational business - operates in/has branches in more than one country.   Difference must be clear to award full marks.  **No** context required.  Exemplar response:  An international business may produce its goods in only one country but sells to many countries (1) whereas a multinational company has branches which operate in several countries (1). |
| **10** |  |  | One mark for each correct identification, plus one mark for an explanations. | **2**  (AO1 1)  (AO2 1) | Indicative content:   * remote from decision makers * feel isolated * feel unimportant/small cog * corporate feel/lacking in personal touch * poor morale * poor motivation * slow/ineffective communication * poor co-ordination/control.   Disadvantage must be to the employee. Do **not** award disadvantages which are solely to the organisation eg do **not** award ‘reduced output’.  Context **required** for full marks.  Exemplar response:  Working for a large organisation may leave an employee feeling unknown, unnoticed and undervalued (1). This is especially true for a low status worker such as a production operative who is a small cog in a large organisation and may, consequently, suffer from low self esteem or poor morale (1). |
| **11** |  |  | One mark for each correct identification, to a maximum of two identifications. | **2**  (AO1 2) | Indicative content:   * for additional capital * complementary skills/expertise * permits specialisation of workload * allows holidays/time off * risk is shared * introduction of new ideas * someone to discuss plans with * banks more willing to lend to a partnership * expansion more likely due to more time, experience and finance.   **No** context required. |
| **12** |  |  | One mark for each correct identification up to a maximum of four identifications. | **4**  (AO1 4) | Indicative content:   * project too large to be managed by one organisation * insufficient funds to finance the project alone * shares financial costs * shares financial risk * reduces non-quantifiable risk for individual business * insufficient knowledge, skills, experience or expertise * to share strengths * to increase competitive advantage * to gain access to resources, permissions, licences * to gain access to markets * to gain access to distribution networks * insufficient capacity to carry out the project alone * association with a prestigious/well known business.   **No** context required. |

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