# Check In quiz

## Business Activity

## Questions

1. Which one of the following types of business can sell shares on the stock exchange?
2. A partnership
3. A private limited company
4. A public limited company
5. A sole trader

Your answer **[1]**

1. Which of the following is an internal stakeholder of business that repairs cars?
2. Mechanics who work at the garage
3. Motorists who bring their car to the garage to be repaired
4. Residents living near to the garage
5. The government that creates the laws the garage must obey

Your answer **[1]**

1. The reward for enterprise is:
2. hard work
3. profit
4. risk
5. self-discipline

Your answer **[1]**

1. A clothing manufacturer buys a multiscreen cinema.

What is this an example of?

1. A diversification
2. A horizontal merger
3. A partnership
4. A vertical takeover

Your answer **[1]**

1. Six firms operate in a market. The pie chart below shows the annual revenue for each of these six firms.

What is the market share of Firm D?

1. 1%
2. 10%
3. 412/3%
4. 150%

Your answer **[1]**

1. Which one of the following is **not** a reason to start your own business?
2. To be your own boss
3. To increase financial risk
4. To pursue personal interests
5. To satisfy customer needs

Your answer **[1]**

1. A business makes jeans.

Which of the following is the role of its suppliers?

1. To advertise the jeans on national television
2. To buy large quantities of jeans
3. To deliver fabric and fastenings on time
4. To pay the wages of the sewing machinists

Your answer **[1]**

1. The UK government requires sole traders to:
2. advertise online
3. employ staff
4. operate from home
5. pay tax on profits

Your answer **[1]**

1. Which of the following would increase the market share of a company?
2. Employing fewer staff
3. Making its products more appealing
4. Reducing output
5. Spending less money

Your answer **[1]**

1. Two toy shops in Southville have different objectives.

Which of the following could be a reason why these two businesses have different   
objectives?

1. Central government sets specific objectives for every business
2. Diversification is not allowed
3. One business is a new start-up and the other is well established
4. The law does not allow businesses to have identical objectives

Your answer **[1]**

1. Which one of the following is a benefit of business planning?
2. It increases business risk
3. It increases the legal requirements on a business
4. It reduces the amount of profit a business can make
5. It reduces the chances of business failure

Your answer **[1]**

1. A business which operates as a partnership:
2. has at least two owners
3. has no external stakeholders
4. is controlled by shareholders
5. is owned by the government

Your answer **[1]**

1. Which of the following stakeholder groups is most likely to benefit from a night club owner’s decision to close at 11pm instead of at 3am on weekdays?
2. Customers
3. Local residents
4. Suppliers
5. The government

Your answer **[1]**

1. A business has set an objective to increase profit by 2% each year.

If the business made £50 000 profit in 2015, its profit objective for 2016 would be?

1. £1000
2. £51 000
3. £52 000
4. £60 000

Your answer**[1]**

1. A young entrepreneur wishing to start her first business may choose to operate as a partnership because:
2. a partnership is the simplest form of business to set up
3. no planning is required
4. she can keep all of the profit
5. the responsibility for important decisions can be shared

Your answer **[1]**

1. The owners of a business with limited liability:
2. are not required to obey employment law
3. can only sell goods to local markets
4. do not have to pay business debts with personal funds
5. must not change their business objectives

Your answer **[1]**

1. Which of the following is **most** likely to describe the characteristics of a successful entrepreneur?
2. Determined and creative
3. Disorganised and inflexible
4. Inflexible and determined
5. Risk averse and disorganised

Your answer **[1]**

1. Which one of the following is an example of organic growth?
2. Gaining new customers
3. Reducing market share
4. Merging with a similar business
5. Increasing selling prices

Your answer **[1]**

1. Which of the following is most likely to help an established company obtain a bank loan?
2. A business plan
3. A job description
4. A person specification
5. An organisation chart

Your answer **[1]**

1. Which one of the following is **not** a benefit to a business of setting objectives?
2. Business performance can be measured against targets
3. Can be used to motivate the workforce
4. Clear direction for decision makers
5. Increased manager workload

Your answer **[1]**

## Mark scheme

| **Question** | **Answer** | **Marks** | **Rationale** |
| --- | --- | --- | --- |
| **1** | **(c)** | **1** | **(a)** A partnership cannot issue shares.  **(b)** A private limited company can issue shares, but it cannot sell them on the stock exchange.  **(c) Correct answer:** A public limited company is listed on the stock exchange.  **(d)** A sole trader cannot issue shares. |
| **2** | **(a)** | **1** | **(a) Correct answer:** Employees are internal stakeholders of a business.  **(b)** Motorists are the garage’s customers; they are external stakeholders.  **(c)** Local residents are external stakeholders.  **(d)** The government is an external stakeholder.. |
| **3** | **(b)** | **1** | **(a)** Enterprise involves hard work but it is not the reward.  **(b) Correct answer:** Profit is the reward for enterprise.  **(c)** Enterprise involves taking risks, but the risk is not the reward.  **(d)** Self-discipline is a characteristic likely to be needed for an entrepreneur to be successful, but it is not the reward. |
| **4** | **(a)** | **1** | **(a) Correct answer:** These two businesses are totally different, one is a manufacturer and one offers a service, and the products they deal with i.e. clothing and entertainment are totally different.  **(b)** A horizontal merger would involve a clothing manufacturer joining with another clothing manufacturer, rather than a totally different type of business.  **(c)** A partnership is a form of business ownership, not a business buyout.  **(d)** The example is a buyout/takeover; however it does not involve buying a business in the same industry. Examples of a vertical takeover would be a clothing manufacturer buying a clothing boutique (forwards) or buying fabric printers or cotton plantation (backwards). |
| **5** | **(b)** | **1** | **(a)** Candidate puts the decimal point in the incorrect place.  **(b) Correct answer:** Total market size = £1,500,000. Firm D’s market share = £150,000/£1,500,000 x 100 = 10%  **(c)** Candidate confuses the percentage with 360o and erroneously calculates £150,000/360 x 100 = 41.66.  **(d)** Candidate erroneously assumes that the 150 in £150,000 equates to 150%. |
| **6** | **(b)** | **1** | **(a)** Many people start their own business in order to be their own boss.  **(b) Correct answer:**  Owning your own business increases, rather than reduces financial risk.  **(c)** Pursuing personal interests is a good way to combine hobbies/beliefs with earning a living e.g. musician, fashion.  **(d)** Satisfying customer needs is a reason to set up a business e.g. to provide designer clothing or a convenience store. |
| **7** | **(c)** | **1** | **(a)** This is not the role of a supplier.  **(b)** The jeans are the finished product; those who buy the finished product are called customers not suppliers.  **(c) Correct answer:** The role of a supplier is to supply raw materials and deliver them on time.  **(d)** The jeans producer needs to pay the machinist’s wages. |
| **8** | **(d)** | **1** | **(a)** Sole traders may choose to advertise online, but they do not have to.  **(b)** A sole trader can choose whether or not to employ staff.  **(c)** Many sole traders operate from home, but they do not have to.  **(d) Correct answer:** One effect the government has on all businesses is that it requires payment of tax on any profit made. |
| **9** | **(b)** |  | **(a)** Market share measure the proportion of the market secured by a firm, the number of staff employed is irrelevant.  **(b) Correct answer:** Making products more appealing should increase sales, and hence market share.  **(c)** Reducing output is likely to reduce sales rather than increase market share.  **(d)** Spending less money is likely to increase profit, but has no link with market share. |
| **10** | **(c)** |  | **(a)** Central government does not set business objectives; owners/directors/managers do this.  **(b)** Diversification relates to the range of business activities undertaken, it does not explain the reason for different businesses having different objectives.  **(c) Correct answer:** The objectives of a business change throughout the business’ lifetime.  **(d)** Copyright legislation stops one business copying another’s designs etc, but it does not cover objectives. A business is free to choose objectives as it deems to be appropriate. |
| **11** | **(d)** | **1** | **(a)** Increased risk is not a benefit.  **(b)** The legal requirements on a business remain unchanged irrespective of planning.  **(c)** Planning should increase rather than reduce the amount of profit a business can make.  **(d)** **Correct answer:** Careful planning should reduce the chances of business failure. |
| **12** | **(a)** | **1** | **(a) Correct answer:** Must have a minimum of two partners.  **(b)** All businesses have external stakeholders e.g. suppliers, customers, government, local community.  **(c)** Companies, rather than partnerships, have shareholders.  **(d)** A partnership is a private enterprise and, is therefore, no government controlled. |
| **13** | **(b)** | **1** | **(a)** Customers generally prefer longer trading hours, shorter trading hours inconvenience customers.  **(b)** **Correct answer:** Local benefits should benefit from less noise pollution/litter/traffic congestion.  **(c)** Suppliers are likely to be unaffected or negatively affected by this decision (due to the potential reduction in custom).  **(d)** The government is likely to unaffected or negatively affected by this decision (due to the potential reduction in tax on profits). |
| **14** | **(b)** | **1** | **(a)** Candidate correctly calculates 2% of profit, but forgets to add back the original profit.  **(b)** **Correct answer:** £50,000/100 x 2 = £1000. New profit objective = £50,000 + £1000 = £51,000.  **(c)** The candidate confuses 2% with £2000 and adds £2000 to profit to give £52,000.  **(d)** The candidate makes a decimal place error to the calculation, effectively adding 20% to the profit figure. |
| **15** | **(d)** | **1** | **(a)** Setting up as a sole trader would be the simplest type of business to set up.  **(b)** Planning is appropriate for all business start-ups.  **(c)** Profits do need to be shared between both/all partners, whereas a sole trader can keep all profits.  **(d)** **Correct answer:** Operating as a partnership provides a fellow owner with which to share important decisions. Hopefully, two heads are better than one. |
| **16** | **(c)** | **1** | **(a)** All businesses must obey employment law.  **(b)** Candidate confuses limited liability with market limitations, in this case a geographical limitation.  **(c) Correct answer:** Limited liability protects a business owner’s personal funds from being used to pay business debts.  **(d)** A business is always free to change its objectives; indeed a periodic review is advised. |
| **17** | **(a)** | **1** | **(a) Correct answer:** Determination and creativity are key characteristics of successful entrepreneurs.  **(b)** Being disorganised and inflexible are not characteristics of successful entrepreneurs.  **(c)** Determination is important, but inflexibility is likely to hinder the potential success of an entrepreneur.  **(d)** Entrepreneurs are usually risk taking rather than risk averse. Being disorganised is only likely to hinder the potential success of an entrepreneur. |
| **18** | **(a)** | **1** | **(a) Correct answer:** Organic growth is business expansion from within the business. Gaining new customers is an example of organic growth.  **(b)** When organic growth is achieved a business is likely to increase, rather than reduce, market share.  **(c)** Merging with another business is an external (inorganic) method of business expansion.  **(d)** Increasing selling price may increase revenue (if sales hold up); however this is not a form of organic growth. |
| **19** | **(a)** | **1** | **(a) Correct answer:** A business plan is often used as way to obtain finance.  **(b)** A job description contains a list of the tasks and responsibilities of a particular job. It is most commonly used in recruitment.  **(c)** A personspecification lists the skills and quality required for a candidate to be suited to a job vacancy. It is most commonly used in the selection process.  **(d)** An organisation chart is a human resource tool which is used to map the structure of an organisation. It may be included in a business plan, but it is not a crucial part in the obtaining of finance. |
| **20** | **(d)** | **1** | **(a)** Setting business objectives gives specific targets by which business performance can be measured.  **(b)** Setting objectives can be used to motivate workers to achieve.  **(c)** Setting objectives clarifies business direction and aids decision making.  **(d) Correct answer:** Setting objectives may increase management workload, but this is not a benefit to a business. High workloads lead to inefficiency, mistakes, demotivation and stress. |

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