

Chapter 1: Exam practice question

Recession sparks new business ideas

1 Explain the following terms in the text:

a entrepreneur (2)

This is someone who takes the financial risk of starting and managing a new venture. For example, Jessica Lyons wants to start a CV business.

b tertiary sector (2)

This sector provides services to personal and corporate customers. It uses the products of primary or secondary sectors. For example, Jessica's business would provide a CV service to individuals.

c start-up finance (2)

Start-up finance is the money needed to fund capital investment to provide assets used to run the business and then to provide working capital. For example, Jessica would need capital to buy a computer and then working capital to pay for her daily expenses and salary until the customers paid their bills.

d capital equipment. (2)

Capital equipment is the long-term machinery or assets employed by a business. These would usually be expected to last for over five years. For example, the gym instructor would need gym equipment and Jessica needs a computer.

Use **Resources table 3a** mark bands for question 1.

2 Outline the factors of production needed to set up the business providing CVs to school leavers. (5)

Factors may include:

- land: somewhere to work (Jessica may work at home or rent an office)
- labour: Jessica works for herself
- capital: Jessica needs money to buy her computer and to pay for daily expenses such as paper and ink cartridges, heating, electricity and petrol
- enterprise: Jessica's ideas and entrepreneurial drive
- any other relevant point.

Use **Resources table 3b** mark bands for question 2.

3 Using the gym instructor's business as an example, list the business functions involved in this business. **(5)**

- marketing
- accounting and finance
- operations management
- human resources
- customer services

1 mark per valid function listed.

4 Explain the reasons why most of the would-be entrepreneurs were choosing to set up in businesses in the tertiary sector. **(7)**

- identified customer demand/market niche
- do not require large amounts of start-up capital for capital equipment
- rely on own skills and interests
- any other relevant point

SL: apply **Resources table 1** mark band descriptors.

HL: apply **Resources table 2** mark band descriptors.