

Oxford Revise | Edexcel GCSE Business | Answers

Chapter 1 The dynamic nature of business, and risk and reward

1.1 Award 1 mark for the correct answer: **B** Independence.

A, C and **D** are not correct because they are all risks of entrepreneurial activity.

1.2 Award 1 mark for each correct answer. The correct answers are: **A** Changes in technology and **D** Obsolescence.

B, C and **E** are not correct because they are all ways a business grows.

1.3 Award 1 mark for identifying one risk, plus up to 2 further marks for explaining this risk. Here is an example of a 3-mark answer:

One risk associated with starting a new business is business failure (1). Poor planning and decision-making can lead to cash-flow problems (1). Lower than expected sales revenue can also occur because of an economic downturn, strong competition or a non-viable business idea (1).

1.4 Award 1 mark for identifying one way, plus up to 2 further marks for explaining this way. Here is an example of a 3-mark answer:

An entrepreneur can use market research to minimise their level of risk (1). They can gather information from the market and use it to support decision-making (1). For example, information about the strengths and weaknesses of the competition can help an entrepreneur decide on the marketing mix for a new product (1).

1.5 Award up to 6 marks. First identify the correct level, and then decide whether the answer falls towards the bottom of the level or towards the top of the level and award marks accordingly.

Level	Marks	Explanation
1	1–2	<ul style="list-style-type: none"> The answer demonstrates elements of knowledge and understanding of business concepts and issues. It contains limited business terminology. The answer attempts to explore business information and/or issues. It contains limited connections between points.
2	3–4	<ul style="list-style-type: none"> The answer demonstrates mostly accurate knowledge and understanding of business concepts and issues. It includes appropriate use of business terminology in places. The answer explores business information and/or issues. It contains interconnected points with chains of reasoning, although some of the logic may be inconsistent.

3	5–6	<ul style="list-style-type: none"> • The answer demonstrates accurate knowledge and understanding of business concepts and issues throughout. It includes appropriate use of business terminology. • The answer explores business information and/or issues. It contains detailed interconnected points with logical chains of reasoning.
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An example of a Level 1 answer

Setting up a new business is risky, so all entrepreneurs must be willing to take risks. This is true if they are coming up with an original idea for new goods or services, or adapting existing goods or services.

If an entrepreneur is excited by taking risks, there is a danger that they will not do the work needed to make good decisions. This can lead to business failure.

An example of a Level 2 answer

Setting up a new business is risky, so all entrepreneurs must be willing to take risks. However, because adaption is less of a risk than launching a brand-new product, an entrepreneur who is less willing to take risks may decide to choose adaptation over coming up with an original idea.

If an entrepreneur is excited by taking risks, there is a danger that they will not do the work needed to make good decisions. This can lead to business failure. However, it is possible to minimise risk by carrying out market research so that good decisions are made, products meet the needs of customers, and sell well.

An example of a Level 3 answer

Setting up a new business is risky, so all entrepreneurs must be willing to take risks. This is true if they are coming up with an original idea for new goods or services, or adapting existing goods or services. However, because adaption is less of a risk than launching a brand-new product, an entrepreneur who is less willing to take risks may decide to choose adaptation over coming up with an original idea.

If an entrepreneur is excited by taking risks, there is a danger that they will not do the work needed to make good decisions. This can lead to business failure. However, it is possible to minimise risk by carrying out market research so that good decisions are made, products meet the needs of customers, and sell well. It is also possible to minimise risk by developing revenue forecasts to predict future sales revenue and ensure the business idea is viable.

1.6 Award 1 mark for a correct definition. For example:

An entrepreneur is a person who identifies new business ideas and uses these ideas to start new businesses, creating a product to meet a customer need.

1.7 Award 1 mark for stating one reason why John Smith's business idea has come about. The answer must apply to the case study. For example:

John Smith's business idea has come about because of the technological changes that have resulted in the growth of electric bicycles (1).

- 1.8** Award 2 marks for linked points that apply to the case study. Award 1 mark if the points are not linked or do not apply to the case study. Here is an example of a 2-mark answer:

ABC Bikes Ltd could lose customers if it does not sell or service the bicycles that meet customer needs (1). Market research will help ABC Bikes Ltd understand customer preferences and ensure they offer the right products (1).

- 1.9** Award up to 6 marks. First identify the correct level, and then decide whether the answer falls towards the bottom of the level or towards the top of the level and award marks accordingly.

Level	Marks	Explanation
1	1–2	<ul style="list-style-type: none"> The answer contains limited application of knowledge and understanding of business concepts and issues to the case study. The answer attempts to explore business information and/or issues. It contains limited connections between points.
2	3–4	<ul style="list-style-type: none"> The answer contains sound application of knowledge and understanding of business concepts and issues to the case study, although there may be some inconsistencies. The answer explores business information and/or issues. It contains interconnected points with chains of reasoning, although some of the logic may be inconsistent.
3	5–6	<ul style="list-style-type: none"> The answer contains detailed application of knowledge and understanding of business concepts and issues to the case study throughout. The answer explores business information and/or issues. It contains detailed interconnected points with logical chains of reasoning.

An example of a Level 1 answer

John Smith will need finance to set up an e-bike sales and servicing business. He will need to rent a shop, as well as invest in e-bikes to sell and equipment to service them.

An example of a Level 2 answer

John Smith will need finance to set up an e-bike sales and servicing business. He will need to rent a shop, as well as invest in e-bikes to sell and equipment to service them. If the business fails, he will lose all his financial investment. He may also experience financial instability if the business takes a while to make a profit. If he finds this stressful, it could have an impact on his health and well-being.

An example of a Level 3 answer

John Smith will need finance to set up an e-bike sales and servicing business. He will need to rent a shop, as well as invest in e-bikes to sell and equipment to service them. If the business fails, he will lose all his financial investment. He may also experience financial instability if the business takes a while to make a profit. If he finds this stressful, it could have an impact on his health and well-being. However, he could minimise these risks by expanding on the market research he has already carried out to fully understand the needs and wants of his future customers, and by developing revenue forecasts to guide his decision-making.