

Oxford Revise | Edexcel GCSE Business | Answers

Chapter 14 Business plans

14.1 Award 1 mark for the correct answer: **C** Obtain finance.

A, **B** and **D** are not correct because they are things an entrepreneur needs to have done or thought about before creating a business plan.

14.2 Award 1 mark for each correct answer. The correct answers are: **A** Potential investors and **D** The business owner.

B, **C** and **E** are not correct because they do not usually see business plans.

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

- *Long-term sources of finance are often used for capital investment (1), to pay for physical assets used by a business such as machinery and buildings (1).*
- *They are designed to be paid off over long periods of time, over years, not weeks or months (1).*

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

- *One potential consequence of poor business planning is business failure (1).*
- *If an entrepreneur fails to set budgets to monitor and control spending, then they could run out of money (1), and if an entrepreneur fails to understand the target market, they will not sell as many products as they predicted (1).*

14.5 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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Relevant points that could be included

- Detailed planning helps an entrepreneur identify potential risks and think about ways to minimise them. Clear aims and objectives provide direction when making business decisions and can save an entrepreneur a lot of time, because poor decision-making wastes time.
- One of the biggest risks for an entrepreneur is losing money. A good business plan should include forecasts of costs, revenue and profit, as well as a cash-flow forecast and sources of finance. This information helps an entrepreneur spot potential problems and set budgets to monitor and control spending.

14.6 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:

- Setting SMART targets will help Elias reach his long-term aim of setting up his own business (1).*
- They will allow him to track progress in the short term as he works out how to finance his new business idea (1).*

14.7 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.

Relevant points that could be included

- Elias will be able to factor the cost of repayments into his cash-flow forecast. This is because the cost of repayments and the duration of the loan are known.
- However, the loan repayments will impact Elias's cash flow. If cash inflows are not as expected, it could lead to cash-flow problems, which might eventually lead to business failure.

14.8 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.

Relevant points that could be included

- Understanding the target market will enable Elias to position his pricing competitively. He will understand what price range is acceptable to his target customers and be able to set prices to ensure profitability without alienating potential customers.
- Understanding the target market reduces risk. It means that Elias is less likely to invest in a restaurant concept that does not align with what his customers want, which means his business is less likely to fail.

14.9 Award up to 12 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	1–4	<ul style="list-style-type: none"> • The answer demonstrates elements of knowledge and understanding of business concepts and issues. It contains limited business terminology.

		<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. • The answer draws a conclusion, which is supported by general assertions drawn from limited evaluation of business information and issues.
2	5–8	<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 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. • The answer draws a conclusion, which is based on sound evaluation of business information and issues.
3	9–12	<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 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. • The answer draws a valid and well-reasoned conclusion, which is based on thorough evaluation of business information and issues.

Relevant points that could be included

- A business plan is a document for internal and external stakeholders. It is a guide that helps ensure the success of a new business, and it should be written before the business is established.
- Writing a well-researched business plan will help Elias identify risks and develop strategies to mitigate them. By setting clear aims and objectives, Elias will be able to structure his business operations and have adequate finance in place to ensure the business succeeds in the long term.
- Writing a well-researched business plan will help Elias obtain finance. He is thinking of applying for a bank loan and banks require a business plan before making a loan. The business plan should explain that the money borrowed will be spent on kitchen equipment and outline how the business intends to repay the loan.
- A well-researched business plan is the first step Elias must take to establish his restaurant. It is not a guarantee of success but, without a well-researched business plan, he is unlikely to secure the finance needed to turn his dream into a reality.

14.10 Award 1 mark for one from: price, product, promotion and place.

14.11 Award 1 mark for stating one factor influencing Flowery Flowers' business location. The answer must apply to the case study. For example:

The proximity to the Port of Hull, through which the flowers Flowery Flowers sells are imported from Europe (1).

14.12 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:

- *John's strong relationships with international suppliers may have influenced his decision to expand through franchising (1).*
- *These strong relationships enabled him to purchase flowers in bulk for his franchisees to sell (1).*

14.13 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:

- *Developing a business plan will enable Flowery Flowers to minimise risk (1).*
- *Forecasting costs, sales revenue and profit will help John set budgets to monitor and control spending (1).*

14.14 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.

Relevant points that could be included

- An effective marketing mix will support the business's ambitious plans for growth. It strengthens the Flowery Flowers brand. The stronger the brand, the happier John's franchisees are, and the more franchises John is able to sell.
- Flowers from speciality suppliers in the UK and Europe ensure Flowery Flowers shops have a wide range of interesting flowers and plants to sell, which attracts customers. If the flowers and plants are sold at prices customers can pay, which are set with the prices charged by competitors in mind, sales will remain strong. John is already successfully promoting the brand on social media, but he will need to keep up to date with trends for this success to continue. Finally, the location of the Flowery Flowers shops should be convenient for customers and match the brand's image.

14.15 (a) Award 1 mark for correct working and 1 mark for the correct answer:

$$(\pounds 5000 \times 12) + (\pounds 500,000 \times 2\%) = \pounds 60,000 + \pounds 10,000 \text{ (1)}$$

Answer = £70,000 (1)

14.15 (b) Award 1 mark for correct working and 1 mark for the correct answer:

$$\pounds 500,000 \times 5\% \text{ (1)}$$

Answer = £25,000 (1)

14.16 Award up to 9 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	1–3	<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. • The answer contains a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made.
2	4–6	<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. • The answer contains a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made.
3	7–9	<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.

		<ul style="list-style-type: none"> • The answer explores business information and/or issues. It contains detailed interconnected points with logical chains of reasoning. • The answer contains a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made.
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Relevant points that could be included

- Investing in one large distribution centre close to the Port of Hull means that all flowers and plants arrive at one location where each shop's order can be picked and distributed. The distribution centre can be climate controlled to ensure the flowers and plants stay fresh, and it will be relatively straightforward for Flowery Flowers to ensure it does not hold too much stock of one flower.
- Looking after flowers and plants, to ensure they remain fresh, is a specialist role and there may not be enough specialist workers living close enough to the Port of Hull to meet the business's needs. Flowery Flowers will also need to ensure it has delivery drivers to transport the flowers and plants from the distribution centre in Hull to the shops around the country.
- Flowery Flowers should choose to invest in one large distribution centre close to the Port of Hull, because this is the most cost-effective option for the business. It will need to recruit, train and develop staff to work at the warehouse and to deliver the goods.

14.17 Award up to 12 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	1–4	<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 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. • The answer draws a conclusion, which is supported by general assertions drawn from limited evaluation of business information and issues.
2	5–8	<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 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. • The answer draws a conclusion, which is based on sound evaluation of business information and issues.

3	9–12	<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 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. • The answer draws a valid and well-reasoned conclusion, which is based on thorough evaluation of business information and issues.
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Relevant points that could be included

- The marketing mix is the key elements of a marketing plan: price, product, promotion and place work together to create a single message to attract customers.
- Flowers and plants are natural, so technology will not impact on the product element of the marketing mix. However, it could have a big impact on the place element of the marketing mix. Currently, Flowery Flowers is selling flowers and plants to customers in shops, but technology provides the business with an opportunity to sell flowers and plants online and deliver them directly to the customer from a shop or from a central distribution centre.
- John has already been using social media to successfully promote the Flowery Flowers brand and the business should continue with this approach to promotion, ensuring it keeps up with consumer trends. It could also consider introducing dynamic pricing for unusual flowers and plants, as a promotional tool.
- Technology could have a big impact on Flowery Flowers' marketing mix if the business decides to take up the opportunities technology presents. However, it might decide that it wants to continue selling flowers and plants face-to-face, because this is more in keeping with its brand.