



**AQA  
GCSE  
(9-1)**

Third Edition

# **BUSINESS**

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# **ANSWER GUIDE**

# 1.1 The purpose and nature of businesses

## Business insight: FatFace, page 4

The founders of FatFace set up a business because it was a hobby that they loved and wanted to pursue. Analyse **one** other reason why people might set up a business. (6 marks)

Answers may include:

- An entrepreneur may set up a business to pursue a hobby or interest. So, for example, a person with an interest in painting landscape pictures may decide to stop working and establish a business producing landscapes to customers' orders. In this way, they turn an interest into a business which can provide an income for the entrepreneur and possibly other employees.
- Someone may decide to start a business to help others in society. One example would be an entrepreneur who sets up a business to look after stray dogs and cats in their area. This may involve setting up kennels or a cattery and providing a rescue service. This business would be judged a success if it was able to benefit others.
- To make money. Some entrepreneurs decide to try to develop an idea (such as a new product) in order to make a profit. Some become very wealthy, for example, James Dyson (who developed Dyson vacuum cleaners and other electrical products). The aim here is to make profits and decisions would be taken with this in mind.

## Business insight: Richard Branson, page 5

Analyse one characteristic that might explain Branson's success. (6 marks)

Answers may include:

- Richard Branson could be considered to be innovative. This can apply to the way a business is run (a process) as well as its products. For example, he ran an early business from the phone box near his school. This enabled him to earn revenue with few costs helping to make his business profitable.
- The fact that he has established many businesses, including those relating to music, air travel and pensions, shows that he is hard working and determined. Many of these businesses were set up after he had become a wealthy and successful businessman. Many other entrepreneurs would have settled for the achievements they had already made.

## Maths moment, page 6

1 What percentage of employees are employed in the tertiary industry?

Assuming that employees are classified as being in just three sectors: primary, secondary and tertiary, then 76 per cent of people in the UK are employed in the tertiary sector ( $100 - [2 + 22]$ ).



2 In 2021 the UK had 5.6 million businesses. Calculate how many were in each of the primary, secondary and tertiary industries.

- Primary sector =  $5.6 \text{ m} \times 2/100 = 0.112 \text{ million or } 112,000$ .
- Secondary sector =  $5.6 \text{ m} \times 22/100 = 1.23 \text{ million}$ .
- Tertiary sector =  $5.6 \text{ m} \times 76/100 = 4.26 \text{ million}$ .

## Business insight: Coca-Cola Zero Sugar, page 8

Analyse **one** factor in the external environment that may have led to the launch of Coca-Cola Zero Sugar. (6 marks)

Answers may include:

- Legal change. The UK is expected to impose a sugar tax which would apply to soft drinks, such as those produced by Coca-Cola, with over a certain quantity of sugar in them. The company has developed this product to avoid the tax and the consequent rise in price. This may help it to maintain sales – or even increase them – and helps to explain the decision to launch this new product.
- Technological change. The company has developed techniques to make Coca-Cola without sugar taste more similar to that with sugar in it. If this change had not occurred, the company would have struggled to produce a no-sugar variant of its famous soft drink. This limitation would have led to much lower sales and revenue.

## Business insight: Analysing trends in society, page 8

Analyse how any one of these trends might affect a business with which you are familiar. (6 marks)

Answers may include:

- A greater interest in the environment by a business's stakeholders (those with an interest in the business) could change the products that it sells and/or the ways in which it produces and markets its products. For example, the high-street retailer M&S publicises its environmentally friendly Plan A which commits it to a range of actions such as reducing emissions of carbon – this affects its processes, including transporting clothes, food and other products. Other businesses, such as car manufacturers, are developing 'green' products, for instance, electric cars. Both these changes will be of interest to the company's consumers and shareholders.
- Healthy eating could affect many businesses, including those operating restaurants. It could result, for example, in changes to the menu to provide more meals with less fat and sugar. McDonald's has changed its menus in this way. Other restaurants have helped consumers to make more informed decisions by including information on the calories in each meal.

## Quick questions, page 9

1 State **two** possible sources of new ideas for a business.

(2 marks)

Answers may include:

- an interest or a hobby that provides an idea for products that can be sold
- an invention that a person or group makes
- a group of people who get together to think up new ideas.

- 2 Explain the term 'entrepreneur'. (2 marks)

An entrepreneur is someone who is willing to take the risks involved in starting a new business.

- 3 Explain **one** reason why someone might start their own business. (3 marks)

Answers may include:

- Some people do not like taking orders from others and want to have more control over their working lives, such as working when they want to do so. One way to do this is to become their own boss by starting a business.
- Some people have a great interest in a hobby and want to spend more time on it. One way to do this is to use it to develop a business. For example, a person may be very interested in carpentry and enjoy making furniture from wood. This might be the basis for a business making furniture to order for local customers.

- 4 Explain the term 'opportunity cost'. (2 marks)

The opportunity cost is the sacrifice we make whenever we decide to do anything. If we decide to go out tonight, we sacrifice the work we could have done.

- 5 Explain the term 'primary industry'. (2 marks)

The primary industry is made up of organisations that are at the first stage of production and use raw materials. Farms, oil exploration companies and fishing fleets are primary businesses.

- 6 State and explain **two** possible characteristics of an entrepreneur. (4 marks)

Answers may include:

- Innovative. Many entrepreneurs succeed because they are able to develop new ideas for products (either goods or services) that people want. This helps to ensure their businesses make enough sales.
- Organised. People who are effective as entrepreneurs have to be organised. They need to know what tasks must be completed and maintain financial and administrative records.
- Hard working. Many entrepreneurs have to work long hours, especially when the business is first started. They may not be able to afford to employ many (or any) employees to help them.

- 7 State **two** examples of businesses in the tertiary industry. (2 marks)

Answers may include:

- a bank
- a shop selling clothes
- a hospital.

- 8 State and explain **two** changes in technology that can affect a business. (4 marks)

Answers may include:

- Developments such as the use of artificial intelligence. This allows, for instance, the production of voice-controlled software which might allow the development of popular new products such as voice-activated speakers.
- New ways of producing products. The use of 3D printers, for example, allows businesses to produce certain products in many locations which can increase sales.
- Changing workforces. Technology might allow businesses to replace production line workers with technology, possibly lowering costs in the long-run.



9 State **two** changes in the economic situation that can affect a business. (2 marks)

Answers may include:

- a sudden increase in prices of raw materials affecting a firm's costs of production
- a change in the rate of increase of average incomes in an economy
- falling levels of unemployment making it easier for people to find jobs.

10 State **two** factors of production. (2 marks)

Answers may include:

- land
- labour
- enterprise
- capital.

## Case study: Elon Musk, page 9

1 Identify **two** reasons for someone setting up their own business. (2 marks)

Answers may include:

- for financial reasons, as they can keep the profits earned
- because they want to contribute something to society by creating a business that protects the environment or cares for children
- because they are not happy in their job and wish to do something completely different.

2 Explain **two** possible characteristics of a successful entrepreneur such as Musk. (4 marks)

Answers may include:

- An entrepreneur has to be innovative if he or she is to succeed. This means that they must come up with ideas that can be turned into successful products. Elon Musk has demonstrated this as he has set up technology businesses as well as the hugely popular (and valuable) PayPal.
- An entrepreneur has to be a risk-taker. Elon Musk has taken risks by investing all of the money he has earned from earlier businesses into new ones such as Tesla. There have been times when he thought he would fail and, of course, many entrepreneurs do lose their wealth.
- An entrepreneur must be hard working and determined. As an example, James Dyson was unsuccessful in developing a new revolutionary vacuum cleaner for many years. He was successful partly because he did not give up.

3 Analyse **one** possible reason why Musk wants to be an entrepreneur. (6 marks)

Answers may include:

- Elon Musk may be trying to prove things to himself. He likes to challenge ideas and situations and change them for the better. Thus, the creation of Tesla is intended to provide a better and more environmentally friendly means of transport for millions of people. This involves challenging the established car industry. This is a risk, but perhaps Musk wants to show that his ideas are right.
- Musk sees opportunities where others may not. He believes that he can make money from them. This is shown by the establishment of SpaceX with the ambitious goal of colonising Mars. Few people would take the risk of investing in such a business, but the business is already being used by the US government.

4 Governments help entrepreneurs because:

(12 marks)

- they create jobs
- they pay tax revenues to the government.

Analyse the ways in which these two factors affect the government.

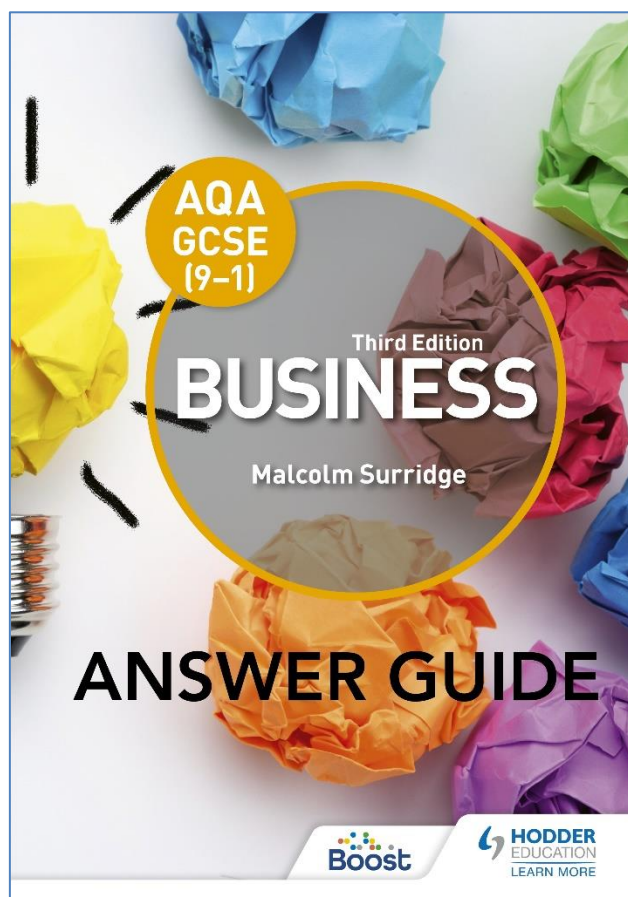
Evaluate which of these two factors is the most important reason why the government helps entrepreneurs to set up in business.

Answers may include:

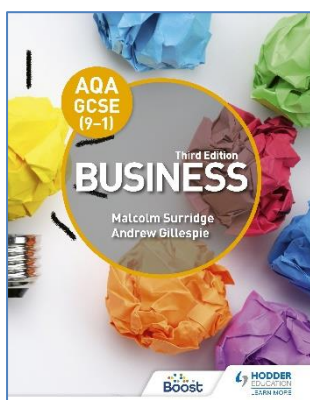
- The creation of new businesses helps the economy to create jobs as many newly-established businesses will employ one or more people. This may assist in lowering the rate of unemployment in the economy. This offers great benefits to those who were previously unemployed but now have jobs. They receive higher incomes (rather than welfare benefits) and enjoy higher living standards. This means the government will receive taxes from these employees rather than having to support them financially.
- Encouraging people to start their own businesses can increase the number of new businesses. The UK is good at this. Some of these businesses will develop into large ones, creating important sources of tax revenue for the government, enabling it to achieve some of its other objectives such as providing financial support to those households who are on low incomes.
- The government benefits from receiving higher tax revenues as it allows it to spend more money on important public services. However, creating new jobs can bring a wider range of benefits as it gives direct and important benefits to the previously unemployed and their higher levels of spending on goods and services may help to create more jobs elsewhere. Thus, this can create a cycle of growth in jobs and rising incomes.



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