

ESSENTIAL

**SQA
EXAM
PRACTICE**



NATIONAL 5

BUSINESS MANAGEMENT

Practice Questions & Exam Papers

**QUESTIONS
& PAPERS**

Practise **38 multi-part questions** covering every question type and topic

Complete **2 practice papers** that mirror the real SQA exams

Craig McLeod



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KEY AREA INDEX GRID

PP1 – Practice Paper 1; PP2 – Practice Paper 2

Topic	Command word							
	Draw/ Calculate	Identify/ Name	Outline/ State/ Give	Describe	Discuss	Justify	Compare/ Distinguish	Explain
Understanding business (UB, example and practice questions)								
Factors of production			UB – 3 PP2 – 1a					
Goods and services			PP1 – 6c PP2 – 2e					
Sectors of industry		UB – 4 PP1 – 1ci		PP1 – 1cii				
Sectors of economy		UB – 1a					UB – 1b PP1 – 2e	
Customer satisfaction						UB – 5		
Types of business			PP1 – 2c	UB – 7	PP2 – 3a		UB – Ex	
Entrepreneurs				PP1 – 6a				
Business plans			PP2 – 3b					
Objectives			UB – 8				PP1 – 2e	
External factors		PP1 – 2aii	PP1 – 2ai					UB – 6
Internal factors								PP2 – 3c
Stakeholders		UB – 2	PP2 – 1d					
Management of marketing (M, example and practice questions)								
Market segments		PP2 – 2a						
Market research				M – 6			PP1 – 5a	
Marketing mix				PP2 – 2cii				
Product life cycle	PP2 – 4ai	M – 4 PP2 – 4aii						
Branding				M – 3	M – 7			PP2 – 4b
Packaging				PP1 – 5b				
Pricing			M – 1b	M – 1a PP2 – 2ci				
Location								PP1 – 2b
Methods of distribution						PP1 – 5c		
Promotional strategies			M – Ex PP1 – 1bi			M – 2 PP1 – 1bii		PP2 – 1cii
Advertising			M – 5a			M – 5b		
Ethical marketing				M – 8				
Technology in marketing						PP2 – 4c		

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Topic	Command word							
	Draw/ Calculate	Identify/ Name	Outline/ State/ Give	Describe	Discuss	Justify	Compare/ Distinguish	Explain
Management of operations (Ops, example and practice questions)								
Suppliers			PP2 – 5b			Ops – 8		
Overstocking and understocking				Ops – 6				PP1 – 4b
Inventory control diagram	PP1 – 4a	Ops – 4		Ops – 5				
Methods of production			Ops – 1a Ops – 7 PP1 – 4c				PP2 – 1c	Ops – 1b
Quality		PP1 – 1ei			PP1 – 1eii		PP2 – 5a	Ops – Ex
Ethical and environmental			Ops – 2	Ops – 5 PP2 – 5c		PP1 – 1a		
Technology in operations				Ops – 3 Ops – 5				
Management of people (P, example and practice questions)								
Recruitment		PP2 – 1bi	P – 4		PP2 – 1bii			P – 7
Selection methods				PP1 – 7a		P – 2 PP2 – 2d		
Training		P – 1a PP1 – 2di		P – 1b		P – 8		PP1 – 2dii PP2 – 6a
Motivating and retaining			P – 3 PP2 – 1eii			P – Ex	P – 6	PP2 – 1ei
Industrial action		PP1 – 7c	PP2 – 6b					
Legislation		P – 5	PP1 – 7b					
Technology in HR						P – 8		
Management of finance (F, example and practice questions)								
Sources of finance		PP2 – 2di			F – Ex		PP1 – 1d	
Break-even	F – 6b PP2 – 7a	F – 1a F – 6a	F – 1b					
Cash budgeting	F – 4c	F – 4ai F – 4b		F – 2 F – 4aii				
Income statement		F – 5a PP1 – 3a	F – 3 PP2 – 7b	F – 5b PP2 – 7b				
Technology in finance						PP1 – 3c		

Understanding business

Section 1 questions

Read the case study extract below. This is the kind of material you should expect to read in Section 1 of the question paper. Below you will find an example of how you should answer a case study question plus questions for you to practise – remember to check your answers at the back of this book.

Dee's Delights Ltd

From humble beginnings in an old shed to premises in the heart of Stirlingshire, Dee's Delights Ltd has maintained the standards set by owner Debbie McLeod to manufacture high-quality cakes and treats using original methods and equipment. Products such as scones, shortbread and Dundee cake have been enjoyed by generations of Scottish customers.

Example question

Distinguish between the type of business Dee's Delights Ltd operates and a sole trader. (3 marks)

»» HOW TO ANSWER

So here in the case study we have evidence of the type of business. It is not much evidence, but it is there. Can you spot it? It is the three letters 'Ltd', indicating that Dee's Delights Ltd is a *private limited company*. From here you do not actually have to use the case study any more, it has done its job in helping you to figure out what the question is asking you, i.e. 'compare a private limited company with a sole trader'. You can do that using your knowledge from the course and, if you like, include some words from the case study:

- ▶ A private limited company such as Dee's Delights is owned by shareholders whereas a sole trader is owned by one owner.
- ▶ A private limited company is financed by selling shares, whereas a sole trader invests savings or receives a bank loan or grant.
- ▶ A private limited company has limited liability, whereas a sole trader has unlimited liability.

Top Tip!

This question has the command word **distinguish**. This means only differences can be given, ideally linked with the word 'whereas'. If you have not already done so, look at the previous chapter on command words to help you.

Practice questions

- 1
 - a) Identify the sector of the economy that Dee's Delights operates in.
 - b) Compare the objectives of the sector identified in 1(a) with those of the public sector.
- 2 From the case study, identify two stakeholders of Dee's Delights.
- 3 Using the case study, outline examples of the following factors of production:
 - Land
 - Labour
 - Capital

MARKS STUDENT MARGIN

1

Sectors of economy

3

Objectives

2

Stakeholders

3

Factors of production

Top Tip!

Mistakes are often made with the basics covered in Understanding business. First, make sure you do not get the sectors of economy and the sectors of industry mixed up. Remember that the sectors of industry all end in ry. Secondly, make sure you read the second part of question 1 carefully. You are being asked to compare objectives only. No marks will be awarded for comparing other features, e.g. ownership or control. Finally, be careful with the stakeholder question too. The business itself is not a stakeholder, so no marks will be awarded for 'Dee's Delights Ltd'.

Section 2 questions

Most students find the Section 1 questions that require you to interact with the case study to form your answer quite tricky, so well done if you managed those questions. Questions in Section 2 are often easier, provided you have been studying. The rest of the questions in this chapter are Understanding business questions that you will find in Section 2 of the question paper.

- 4 Name the sectors of industry at points **A** and **B** below.

Sector of industry	A	Secondary	B
Example	Farm	Factory	Shop

Top Tip!

Section 2 questions can have a diagram, chart or table. The question is often straightforward, but make sure you take your time to study the image.

- 5 Justify the importance of good customer service to an organisation.
- 6 Explain possible effects of the following external factors on an organisation:
- Political
 - Economic
 - Technological

Top Tip!

Watch out for the wording of Question 6. You have to **explain** *positive* impacts on a business *and* you will need more than one of each as the word *impacts* is plural.

- 7 Describe the features of a private limited company.
- 8 Outline the objectives of an organisation in the third sector.

MARKS STUDENT MARGIN

2

Sectors of industry

3

Customer satisfaction

2

2

2

External factors

4

Types of businesses

3

Objectives

Section 1: 40 marks

Attempt BOTH questions.

Lyle & Scott



Lyle & Scott was founded in 1874 in the Scottish town of Hawick by William Lyle and Walter Scott, using an £800 bank loan.

The company originally specialised in designing and retailing Scottish knitwear and golfing clothing. Its designers have gone on to work with luxury brands such as Christian Dior and Michael Kors. Since then Lyle & Scott has been exclusively granted a Royal Warrant and has gone on to develop sporting and music heritage wear with endorsements from the likes of the Arctic Monkeys and Cristiano Ronaldo seen wearing the famous eagle logo.





Lyle & Scott prides itself on using quality materials, such as 100% cotton. This makes the brand reasonably affordable for the quality of the garments on offer, with a shirt or a hoodie costing around £60. New customers can get 10% off their first order and there are frequent half-price sales.

The brand has announced it is to open its first London store, located at Wembley Park's London Designer Outlet. The heritage label will occupy more than 800 square feet in the fashion and lifestyle outlet centre.

Philip Oldham, CEO of Lyle & Scott, said: 'Many of our loyal customers have favourite items of our clothing linked to treasured memories. Opening at London Designer Outlet, itself a destination that is about the sensory experience of retail, gives us an incredibly exciting opportunity to meet more of our customers and create more memories. We're greatly looking forward to opening our new store, welcoming guests so they can experience the Lyle & Scott brand for the first time in the capital in a safe, enjoyable environment.'

A manager at London Designer Outlet said: 'Lyle & Scott is the latest brand to join our community of brands and will be a very welcome treat for our fashion-savvy guests as they look for the highest-quality clothing at outlet prices.'

Exhibit 1 Lyle & Scott's ethical and environmental targets

	Recyclable packaging		Quality fabrics used
	Repair/recycle service offered to customers		Charity work

The following questions are based on the case study. You will need to make use of knowledge and understanding you have gained while studying the course.

- 1
 - a) Using Exhibit 1, justify Lyle & Scott's ethical and environmental targets.
 - b)
 - (i) From the case study, outline the methods Lyle & Scott uses to promote its business.
 - (ii) Justify the methods outlined in (b)(i).
 - c)
 - (i) Name the sector of industry Lyle & Scott operates in.
 - (ii) Describe two other sectors of industry.
 - d) Compare the source of finance received by Lyle & Scott and a government grant.
 - e)
 - (i) From the case study, identify the method Lyle & Scott uses to ensure quality.
 - (ii) Discuss two other methods Lyle & Scott could use to ensure quality.

MARKS

4

3

3

1

2

2

1

5

Answers to Practice paper 1

		Question	Marks	Hints and tips												
1	a	<p>Using Exhibit 1, justify Lyle & Scott’s ethical and environmental targets.</p> <ul style="list-style-type: none">▶ Recyclable packaging – will ensure that materials are not depleted▶ Repair/Recycle service – could attract customers wishing to repair clothes rather than buy new ones.▶ Quality fabrics – will ensure finished goods are better quality▶ Charity work – could gain a good reputation	4	Look for the ‘clues’ in the exhibit and justify them – this means write what is good about them.												
	b	i	<p>From the case study, outline the methods Lyle & Scott uses to promote its business.</p> <ul style="list-style-type: none">▶ Brand ‘eagle’ logo▶ Celebrity endorsements – Arctic Monkeys/Cristiano Ronaldo▶ 10% off first order▶ Half-price sales▶ Outlet prices	3	Remember, when asked to ‘outline’ you need more than one word. Just the word ‘logo’ would not be awarded a mark.											
		ii	<p>Justify the methods outlined in b(i).</p> <ul style="list-style-type: none">▶ Brand ‘eagle’ logo – customers will recognise the logo▶ Celebrity endorsements – Arctic Monkeys/Cristiano Ronaldo attract customers who want to be like these celebrities▶ 10% off first order – will encourage customers unsure about buying the brand for the first time▶ Half-price sales – will encourage customers who find the products good value at half price▶ Outlet prices – will attract shoppers visiting the outlet	3												
	c	i	<p>Name the sector of industry Lyle & Scott operates in.</p> <ul style="list-style-type: none">▶ Secondary or tertiary	1	Lyle & Scott makes products (secondary) and also has its own stores (tertiary).											
		ii	<p>Describe two other sectors of industry.</p> <ul style="list-style-type: none">▶ Primary – businesses involved in extracting natural resources▶ Secondary – businesses involved in manufacturing goods▶ Tertiary – businesses involved in providing services to consumers	2												
	d		<p>Compare the source of finance received by Lyle & Scott and a government grant.</p> <table><tr><th>Bank loan</th><th></th><th>Government grant</th></tr><tr><td>Needs to be repaid</td><td rowspan="4">Whereas</td><td>Does not need to be repaid</td></tr><tr><td>Interest added</td><td>No interest added</td></tr><tr><td>Can be arranged quickly</td><td>Can take time for approval</td></tr><tr><td colspan="2">▶ Both require criteria to be met</td></tr></table>	Bank loan		Government grant	Needs to be repaid	Whereas	Does not need to be repaid	Interest added	No interest added	Can be arranged quickly	Can take time for approval	▶ Both require criteria to be met		2
Bank loan		Government grant														
Needs to be repaid	Whereas	Does not need to be repaid														
Interest added		No interest added														
Can be arranged quickly		Can take time for approval														
▶ Both require criteria to be met																
e	i	<p>From the case study, identify the method Lyle & Scott uses to ensure quality.</p> <ul style="list-style-type: none">▶ Quality inputs	1	Did you find the clue? The case study talks about high-quality materials such as 100% cotton (quality inputs).												

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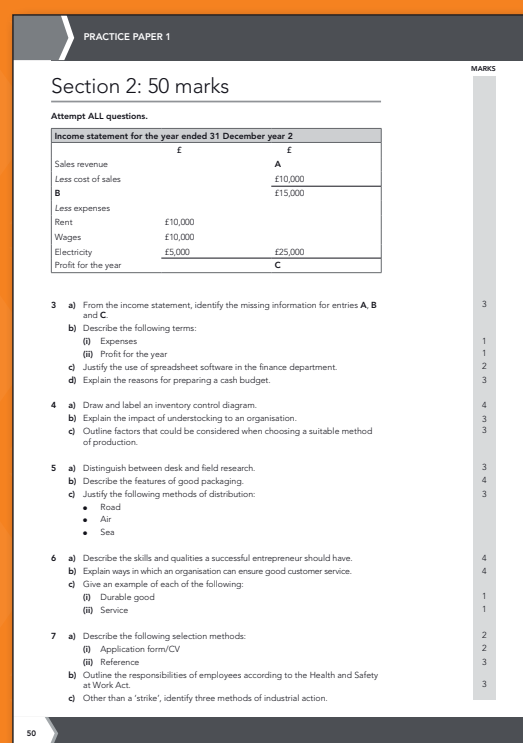
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PRACTICE QUESTIONS



PRACTICE EXAM PAPERS

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