Exercise walk-through

Enterprise ▪ 1.1

eXercise

You must be able to

- define enterprise terms and calculate **value added 增值**
- explain the role and qualities of an entrepreneur and the purpose of a business plan
- analyse benefits and evaluate a judgement to a supported conclusion

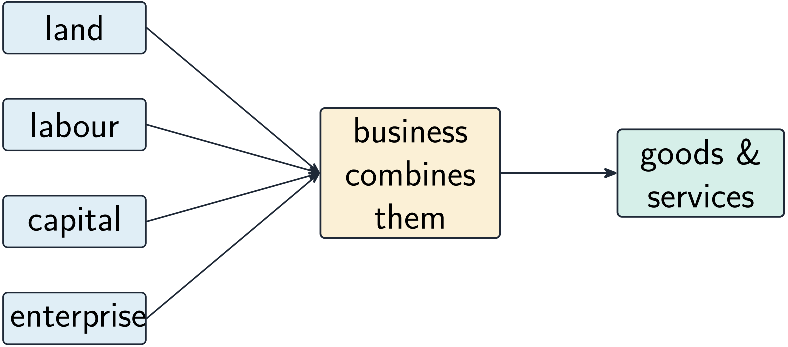
Method — The key ideas of enterprise

A business combines the four **factors of production 生产要素 — land, labour, capital and enterprise 土地、劳动力、资本、创业精神** — to turn scarce resources into goods and services, and to **add value**.

- **Adding value 增值** $=$ selling price $-$ cost of bought-in materials. A baker buys materials for $0.40 and sells a loaf for $1.50 $\rightarrow$ value added $=$ $\$1.50 - \$0.40 = \$1.10$.
- An **entrepreneur 企业家** takes the risk to set up a business; an **intrapreneur 内部创业者** acts like one *inside* a larger firm.

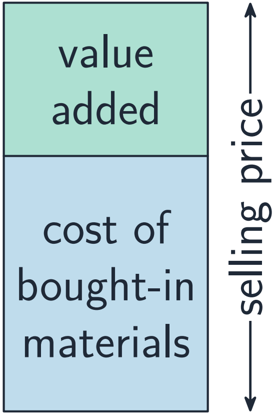
Method — The key ideas of enterprise

factors of production



Land, labour, capital and enterprise are combined to make goods and services

Method — The key ideas of enterprise



value added
= selling price
− materials cost

Value added is the selling price minus the cost of bought-in materials

Method — How to answer the four command words

Business answers are marked on four **assessment objectives 评估目标** (AOs):

- **AO1 Knowledge 知识** — define the term correctly.
- **AO2 Application 应用** — link it to the business in the question.
- **AO3 Analysis 分析** — build a reasoning chain (*so… which means… leading to…*).
- **AO4 Evaluation 评价** — make a two-sided, supported judgement (*it depends on…*).

Answer shapes (longer answers are marked by **level of response**, not point-by-point):

- **Explain one benefit [3]:** name the benefit (AO1), then develop *why* it helps **this** business (AO2).
- **Analyse two benefits [8]:** for each — identify (AO1) + apply (AO2) + a developed reasoning chain (AO3).

Method — How to answer the four command words

- **Evaluate [12]:** AO1 + AO2 + AO3, then weigh **both sides** and decide *in context* (AO4).

Practice 2.1 ▪ 2 marks

Define the term *adding value*.

Solution 2.1

Method: How to answer the four command words

Worked steps

the amount by which the selling price is greater than the cost of bought-in materials (2 for a clear definition; 1 for a partial idea such as “price minus cost”).

Practice 2.2 ▪ 2 marks

A firm buys materials for \$6 per unit and sells each unit for \$15. Calculate the value added per unit.

Solution 2.2

Method: The key ideas of enterprise

Worked steps

$\$15 - \$6 = \$9$ per unit (2; award 1 for a correct method with the wrong figure).

Practice 2.3 ▪ 2 marks

Identify two characteristics of a successful entrepreneur.

Solution 2.3

Worked steps

any two of: innovative; willing to take (careful) risks; hard-working / determined; self-confident; good decision-maker; good leader $(1 + 1)$.

Exam-style 3.1 ▪ 3 marks

Explain one benefit to a business of writing a business plan.

Solution 3.1

Method: How to answer the four command words

Worked steps

[3] **AO1** 1 mark — name a benefit (e.g. helps obtain finance; sets clear goals; lowers the risk of failure). **AO2** up to 2 — develop *why* it helps this business, e.g. a bank can read the cash-flow forecast and the plan to repay, so it is more willing to lend (2 developed / 1 limited).

Exam-style 3.2 ▪ 8 marks

Analyse two qualities that help an entrepreneur to succeed when starting a new business.

Solution 3.2

Worked steps

[8] For **each** of two qualities: **AO1** 1 (name it) + **AO2** 1 (apply to running the business) + **AO3** up to 2 (developed reasoning chain L2 / limited L1). Example chains — *innovative*: new ideas → a product rivals do not have → competitive advantage → higher sales; *determined*: keeps going through early losses → survives long enough to reach break-even. Maximum 4 per quality, 8 total.

Exam-style 3.3 ▪ 12 marks

'A good business plan is the most important reason a new business succeeds.' Evaluate this view.

Solution 3.3

Method: How to answer the four command words

Worked steps

[12] **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6, awarded by the evaluation band:

- **L3 (5–6):** developed, supported judgement set *in context*.
- **L2 (3–4):** developed judgement *without context*.
- **L1 (1–2):** a limited or weak attempt to balance the arguments.

Solution 3.3

Both sides: a plan guides decisions, helps secure finance and lowers risk — **but** success also depends on a real market, enough finance, good execution and some luck, and a plan built on poor assumptions can mislead. Judgement: a plan helps, yet is rarely *the single* most important factor; it depends on the quality of the idea and the market it enters.