

3(a)

Define 'private sector'.

Award 2 marks for a full definition. Award 1 mark for a partial definition.

- (When business activities are) owned by individuals [2]
- (The part of the economy that is) controlled by individuals and companies for profit [2]

Partial definition e.g.

- Not government/state controlled [1]
- Run/controlled by individuals [1]

3(b)	Identify <u>two</u> reasons why new businesses are at a greater risk of failure. Award 1 mark for each reason (max 2). Points might include: • Lack of finance/(start-up) capital • Cash flow problems/lack of liquidity • Level of competition/market already saturated • Lack/low level of customers/demand/sales/lack of customer loyalty • Poor planning/no business plan/lack of objectives • Lack of (managerial/business) experience/skills • Inadequate/no market research/poor marketing • No/low reputation/brand awareness/brand image Other appropriate responses should be credited.
3(c)	Identify <u>four</u> stakeholder groups a business might have. Award 1 mark for each stakeholder group (max 4). Points might include: • Employees/workers • Managers/directors • Owners/shareholders • Suppliers • Lenders/banks • Government • <u>Local</u> community • Customers Other appropriate responses should be credited.

3(d)

Explain two characteristics Hal will need to become a successful entrepreneur.

Award 1 mark for identification of each relevant characteristic (max 2).

Award 1 mark for each relevant reference to this business (max 2).

Award 1 mark for each relevant explanation (max 2).

Points might include:

- Risk-taking [k] especially as plans to leave his job [app] because the owner may lose their investment [an]
- Hard-working [k] as must be ready to do everything on own/as may have to work long hours [an] to set up his bakery [app]
- Creative [k] as having (new) ideas can help gain customers [an] for his private sector business [app]
- Effective communicator/persuasive [k] with his stakeholders [app] as may need to convince its banks/suppliers/customers to lend/provide/buy goods [an]
- Perseverance/determination/resilience/self-motivated [k] so needs to be prepared to keep going when faced with problems [an]
- Optimistic [k] so always think they will/can succeed [an]
- (Self-) confident [k] so convince people/banks to invest [an]
- Independent [k] as be able to work without any help [an]
- Innovative [k]

Other appropriate responses should be credited.

3(e)

Do you think a bank loan is the best source of start-up capital for a new business? Justify your answer.

Award up to 2 marks for identification of relevant points.
Award up to 2 marks for relevant development of points.
Award up to 2 marks for a justified decision as to whether a bank loan is the best source of start-up capital for a new business.

Points might include:

Bank loan

- Quick to arrange [k] so does not delay plans/so can pay bills on time [an]
- Must pay interest [k] increasing costs/expenses/cash outflows [an]
- Must repay [k]
- Able to obtain large/full amount [k]
- May need security/collateral [k] which may not be available for a start-up / so personal assets may be at risk [an]

Other methods could include:

- Own savings [k] as no need to repay [an]
- Borrow from friends/family [k] as may give long time to repay [an]
- Overdraft [k] can arrange quickly/only pay interest when used [an]
- Government grant [k] which has no interest [an]
- Crowdfunding [k] but no guarantee can raise full amount [an]

Other appropriate responses should be credited.

3(e)

Justification might include:

One advantage of a bank loan is it is quick to arrange [k] so does not delay plans/ability to pay bills straightaway [an].

Another source is own savings [k] because there is no need to repay [an]. A bank loan is the best source because speed means they do not miss out on the opportunity whereas it can take time to build up enough savings [eval], and by the time they do, there may be insufficient demand [eval].