3 Hal wants to be a successful entrepreneur. He plans to leave his job to start up a bakery. The bakery will operate in the private sector. The business will have many stakeholder groups. Hal has been told it is important for a new business to select an appropriate source of start-up capital. He also knows new businesses are at a greater risk of failure.

(a) Define ‘private sector’.

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.... [2]

(b) Identify **two** reasons why new businesses are at a greater risk of failure.

Reason 1: ....

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Reason 2: ....

.... [2]

(c) Identify **four** stakeholder groups a business might have.

Stakeholder 1: ....

....

Stakeholder 2: ....

....

Stakeholder 3: ....

....

Stakeholder 4: ....

.... [4]

(d) Explain **two** characteristics Hal will need to become a successful entrepreneur.

Characteristic 1: ....

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Explanation: ....

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Characteristic 2: ....

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Explanation: ....

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.... [6]

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

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.... [6]

3 **(a)** Explain **two** advantages and **two** disadvantages to a business of using a bank loan as a source of finance.

Advantage 1: ....

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Advantage 2: ....

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Disadvantage 1: ....

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Disadvantage 2: ....

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[8]

(b) Consider the advantages and disadvantages of the following **three** methods of promotion PF could use for its new product range. Which is likely to be the best method for PF to use to increase sales? Justify your answer.

- Leaflets handed out in the street
- Billboards on the side of a main road
- Discounts on first purchase

Leaflets handed out in the street: ....

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Billboards on the side of a main road: ....

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Discounts on first purchase: ....

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Conclusion: ....

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[12]

3 **(a)** Explain **four** sources of external finance a business could use.

Source 1: ....

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Source 2: ....

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Source 3: ....

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Source 4: ....

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[8]

(b) Consider why the profitability and liquidity ratios for her restaurant will be important to Jemi. Which is likely to be the most important for the success of Jemi's restaurant? Justify your answer.

Profitability ratios: ....

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Liquidity ratios: ....

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Conclusion: ....

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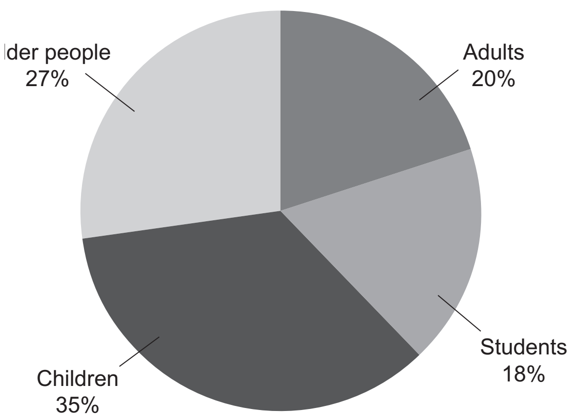
[12]

2 Mitchell is an entrepreneur. He wants to start up a business selling books. As part of his business plan Mitchell has carried out some market research. An extract is shown in Fig. 2.1. Mitchell will use microfinance as a source of finance. He wants to know whether the opportunities of using ecommerce for a new business are greater than the threats.

Extract from Mitchell's market research data for 2023



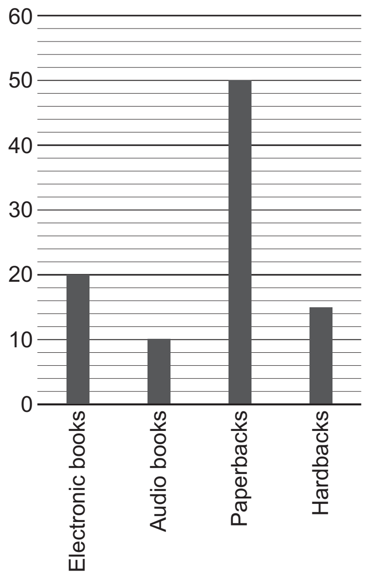


Fig. 2.1

(a) Define 'entrepreneur'.

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.... [2]

(b) Define 'business plan'.

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.... [2]

(c) Outline **one** advantage and **one** disadvantage to Mitchell of using microfinance as a source of finance.

Advantage: ....

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Disadvantage: ....

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.... [4]

(d) Explain how the market research data in Chart 1 and Chart 2 in Fig. 2.1 could help Mitchell when making decisions.

Chart 1: ....

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Explanation: ....

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Chart 2: ....

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Explanation: ....

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.... [6]

(e) Do you think the opportunities of ecommerce for a new business are greater than the threats? Justify your answer.

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.... [6]

4 **(a)** Explain **two** reasons why CC might need finance.

Reason 1: ....

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Explanation: ....

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Reason 2: ....

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Explanation: ....

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.... [8]

(b) Consider the following **three** pricing methods CC could use for its existing products. Which pricing method should CC use? Justify your answer.

- Cost-plus
- Promotional
- Competitive

Cost-plus: ....

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Promotional: ....

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Competitive: ....

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Recommendation: ....

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.... [12]